



# Poorly Armed Defender of Free Enterprise

By FRANK DUPUIS

**I**N HIS BOOK, *The Free Market and its Enemy*,\* Mr.

Leonard E. Read expounds some aspects of free exchange and puts forward some interesting speculations on the resistance to its acceptance. To an English reader, however, the style appears unnecessarily obscure, and the argument is not developed with adequate clarity. The prime defect is the failure in the beginning to give a clear definition of what the author means by the free market. In later pages he refers to it as "an economy founded on free consent," and "the extension or manifestation of free men." The nearest he comes to recognising that all human life and activity depends upon natural materials and forces is "all the artifacts by which we live are but the application of human creativity to the creativities in Nature." To an ordinary reader, knowing economics only through journalism and broadcasting, these phrases will be meaningless.

In these days, when the exponents of economic control have almost a monopoly of publicity, their advantage lies in the use of vague terms by which they can impute sinister motives to their opponents and wisdom to themselves. Freedom of trade can be pictured as cut-throat competition leading to economic chaos and unemployment; orderly marketing, streamlined in accordance with modern conditions, can be shown as the road to security and affluence. If the advocate of free exchange fails to make his subject crystal clear by definition, he is helpless against this misrepresentation by vagueness.

Passages suggest that the author believes that all the ends of justice might be attained merely by abolishing the characteristic forms of modern socialist legislation. He gives no indication of how the free market principle applies to taxation. A critic could point out that if land is legally monopolised, processes monopolised by patents, copyrights, etc., and taxation imposed in such a way as to confiscate the earnings of producers, then freedom of exchange can be of only minor importance to free men.

Mr. Read quotes such economists as Carl Menger and Böhm-Bawerk, whose works are not likely to be well known or easily obtainable, but he makes no reference to his own countryman, Henry George, whose works are easily obtainable and who in his *Protection or Free Trade?* covered the whole subject in a style every intelligent reader

can easily understand. This omission suggests that Mr. Read understands the free market only in a narrow sense: equality of natural opportunity, with some notable mental reservations. But the ordinary man, more concerned with such things as a mortgaged home, and the possibility of trade slumps and mass unemployment, is not likely to be attracted to a doctrine that apparently regards such things as natural and inevitable.

Moreover, Mr. Read does not suggest that the free market world would be a comfortable world. He emphasises that if asked what would happen if it were established the free marketer should answer "I don't know," because the course of invention cannot be foreseen. He censures "the passion for wealth as a means of relief from employment; the yearning for security; the ambition to retire." If the free market must wait until people like working without the prospect of leisure or security it will wait a long time. In the natural order men are born with the means to support themselves and, by thrift, to provide for their leisure. Mr. Read does not point to any present obstructions to this process, although it is on the effects of these obstructions that socialism has grown. What technological changes might follow economic freedom are irrelevant to a person asked to support a great social change. He wants to know how it will affect his chances of employment and prosperity, and he requires some factual example to support a theoretical argument. Great Britain from the 1840s to 1931 enjoyed the advantages of the free market on a scale and to a degree sufficient to show what it can and what it cannot accomplish in social affairs, but Mr. Read does not mention it. If an American advocate of communism omitted all reference to the Russian experiment his audience would suspect he had something to conceal.

Mr. Read does not suggest that resistance to the free market arises from its relation, real or supposed, to such things as poverty or unemployment but from a "psychosis" induced by recent scientific development. Modern man, forgetting that these marvels are only adaptations of natural law, derived from an infinite series of thoughts and exchanges going back to earliest times, attributes them to his own cleverness. He therefore considers himself capable of improving on economic law; that some "know-it-alls" can regulate exchanges better than leaving them

\* Foundation for Economic Education, \$1.00.

to the free market. Although Mr. Read does not quote examples, the current tendency to regard the machines of a society as evidence of the cleverness, if not the wisdom or virtue, of its members, lends substance to this view. But deeper enquiry does not indicate that this psychosis of conceit is the main element in resistance to economic freedom. The planned economy, in various guises, was a feature of earlier societies. Records show that men were just as impressed by the first balloon, in 1783, as by the first sputnik; the former happened to coin-

cide with increasing acceptance of the teaching of the Physiocrats and Adam Smith. The success of the Wright brothers did not shake British faith in free trade; the unemployment of the economic blizzard destroyed it. Fear is stronger than conceit, and socialists and protectionists, whatever their motives, exploit it in their propaganda; the real strength of their appeal has always been its offer of security. To refute some aspects of their claims without facing the question of security is not much more than an intellectual exercise.

## The "Brown" Loaf

**BLAME** for the bakers' strikes is put squarely on the National Board for Prices and Incomes and its sponsor, Mr. George Brown, in a study by Alfred Sherman, economic adviser and commentator. His booklet *Price Control By Any Other Name*,\* finds the Prices and Income Board not merely unnecessary, but positively harmful.

"The belief prevailing in the Department of Economic Affairs and the Board that if employers are ground between the upper and nether millstones of price control and wage demands, things will somehow work themselves out, has been put to the test in the case of the bakers. It has proved counter-productive," says Mr. Sherman.

Of the White Paper outlining statutory powers to enforce the Government's prices and incomes policy, Mr. Sherman points out that these proposals add up to price control and that there is less likelihood of wage controls being effectively imposed. He asks whether the Board has shown itself fit to exercise its wide powers, and shows that many of its decisions have been arbitrary, hurried, and based on inadequate evidence.

Other points from the booklet are:

"The planned incomes policy is now presented as the wonder cure that will permit a high level of public sector expenditure and aggregate demand without any of the inflationary ill effects. Yet planning itself bears a share of the responsibility for the balance-of-payments problems of the past two or three years. NEDC predicted a four per cent. growth rate, which commonsense and subsequent experience alike showed to be quite unrealistic. Government spending policies were geared to this figure, instead of to a realistic 2-2½ per cent., thereby creating excessive demand and investment and throwing a strain on the balance of payments."

"Logically there must come a point at which the Board should tell the Government and the public that to attempt to keep prices down by administrative means, orders, pressure, threats, etc., while the Government continues to pump fresh demand into the system is to court certain failure, warp the economy, and deceive the public".

\* *Aims of Industry Ltd.*, 2s. 6d.

The existence of the implicit assumption of a wage and price spiral should be questioned, says the author.

Mr. Sherman questions whether there was any economic justification for making bread prices into a major issue and suggests that Mr. Brown's motives were political. Although an increase in the price of the standard loaf would add only a fraction to a family's expenditure, Messrs. Brown and Jones chose to deal with this in the style of a Corn Law Repeal League pamphlet, he argues.

Although the report on the price of bread and flour showed conclusively that the bakery industry was making virtually no profit on the standard loaf, the Prices and Incomes Board rejected the unassailable evidence for a price increase. The report completely misunderstood the method of overtime working in the industry geared to the weekly pattern of demand. As for the Report's argument that costs could have been lowered by longer runs baking fewer varieties of bread, the study comments: "This textbook platitude not only rides roughshod over consumer choice, but ignores the fact that anything that diminishes freshness, variety, or easy availability of bread will only further discourage consumption in favour of other foods, thereby intensifying the industry's economic problems".

Industry's lack of confidence in the Prices and Incomes Board is increased by the gross inefficiency of some of the Board's surveys.

"Can Mr. Brown seriously hope to achieve the psychological effect on trade unionists expected from his price controls without bringing the level of profit down to a point where the more militantly socialist union leaders and shop stewards are satisfied?" asks Mr. Sherman. Mr. Brown and Mr. Jones can only succeed by damaging the economy in the process. "Is it not a little reminiscent of the man who tried to accustom his donkey to not eating, only to have it die on him at the moment of success"?

Industry will be vulnerable to the Government's new powers, whereas the trade unions are likely to escape lightly. "Mr. Brown has yet to answer the question asked by a fellow trade union leader, Clive Jenkins, whether he would fine or imprison workers who pressed for and accepted high wages. Fines against unions, even if politically conceivable, would be ineffective, given present relations between unions and their members."