

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."