

## THE RULE OF THE BUREAUCRAT

IN HIS recently published short study of *Bureaucracy*,\* Professor Ludwig Von Mises refers in his preface to Great Britain as "once the cradle of modern liberty." According to his publishers the author is leader of the "Austrian School of Economics," but it is something of a shock to realise that criticism of bureaucracy's encroachments can no longer be identified with any school of economic thought in the country of Adam Smith. We must be grateful, however, for any rallying point against the prevailing drift of ideas which has certainly never halted at a frontier. If paternalism has invaded us from central Europe, so might our own liberal ideals return to us again.

### Limits of State Direction

Professor Von Mises, who appears to address himself mainly to American readers, seeks to rationalise the business man's impatience with the bureaucrat by showing that the agents of the State cannot be responsible for the results when the bureaucratic method is applied in spheres to which it is inherently unsuited. In public administration, such as the judiciary, the police, the collection of taxes, and the armed forces, there is "no market price for achievements." The civil servant is thus enabled to act according to rules and regulations which can be adequately laid down and controlled by the sovereign people through their representatives. It is necessary to appreciate that the bureaucratic method is appropriate for these purposes in order to understand that it cannot be applied, in a society even moderately free, to the provision of goods and services which have a cash value in the market.

The producer, seeking to meet public desire under "capitalism," risks his own property and labour and acts on his own initiative under continually changing conditions of production and price. Officials, however, even of the most dictatorial States, cannot act on their own initiative because every government must control its own revenue. Officials must follow regulations, but no State can entirely regulate individual desire in consumption or ingenuity and skill in production. "Progress is precisely that which the rules and regulations cannot foresee." All that bureaucratic planning can accomplish is to follow clumsily and expensively the indications afforded by those markets which remain comparatively free.

### Resulting Disasters

The attempt to direct production and markets—including the labour market—by bureaucracy creates conditions which are cumulative, and unless reversed must end in economic and political disaster. Neither competition nor the "profit-motive" is eliminated. They are diverted from serving the desires of an impersonal market by the method of industrial progress and turn instead to serving the desires of the party in power by the method of political intrigue. In this process the prevailing system of taxation takes a prominent part. Where the dividends of business concerns are almost all absorbed by taxation the influential industrialist expects and receives from the bureaucrat the protection and favour such a valuable contributor of revenue requires, despite any official condemnation of "private enterprise." This protection, however, has its price. The Collectors of Revenue tend to become "the supreme authorities in matters of manufacturing." Where the government determines the height of tariffs and freight rates, grants or denies import and export licences, monopolises foreign exchange, "no corporation can afford the luxury of an executive unpopular with the administration, the trades unions and the great political parties." The injury is not only to efficiency but to the morale of

the whole society. The conditions in the Southern and Eastern European countries—inefficiency of industry, corruption of government and poverty of the people—are an example of the ultimate effects of bureaucratic direction of industry.

### Germany and France as Examples

In his examination of the social and political implications of bureaucratisation, Professor Von Mises cites the political structure of Germany and France in the last years preceding the fall of their democratic constitutions, when "for a considerable part of the electorate the State was the source of income. There were not only the hosts of public employees, and those employed in the nationalised branches of business, there were the receivers of unemployment dole and of social security benefits, as well as the farmers and some other groups which the government directly or indirectly subsidised." As voters "their main concern was to get more out of public funds. They did not care for 'ideal' issues like liberty, justice, the supremacy of the law, and good government. . . . No candidate could risk opposing the appetite of these public employees for a raise." We know how weak these democracies proved to be when faced with a crisis, and we know all too disturbingly the similar trends in our own country.

The part played by youth in overthrowing Continental democracy is well known. Professor Von Mises considers this could have been arrested if the advocates of government omnipotence had not succeeded in preventing youth from becoming acquainted with the teachings of economics. The stages by which government control of education and the universities reduced economics from the study of economic laws to the study of statistics and disconnected facts relating to State action are yet another warning to us.

But, as the author points out, there are also psychological consequences when the rising generation tends to seek employment as *fonctionnaires* rather than in business. "The young man will enjoy security. But this will be rather of the kind which the convict enjoys within the prison walls. He will never be free to make decisions and to shape his fate. He shudders at the sight of the huge office buildings in which he will bury himself." Hence the revolt expressed in the various kinds of Youth Movements which, significantly, began in Germany before the first World War. "But it was a counterfeit rebellion. . . . The rioters were impotent because they were under the spell of the totalitarian superstitions. They indulged in seditious babble, but they wanted first of all government jobs." In the result the Youth Movements lost their identity in the all-embracing State; under the one-party system the chains are riveted stronger than before. "The only right that young people enjoy under bureaucratic management is to be docile, submissive, and obedient." The critical sense tends to decay. "Politicians and writers outdo one another in the adulation of the sovereign, the common man. They do not venture to impair their popularity by the expression of unpopular ideas." These and other consequences of bureaucracy are traced in adequate detail and with admirable clarity by Professor Von Mises. Other authors have done this before, notably Max Hirsch as far back as 1901, but surely no age needed the warning more than our own.

### What about Remedies?

When he comes to deal with possible remedies, however, Professor Von Mises, like so many other advocates of "capitalism," fails to work out the cure by the only logical method, i.e., by diagnosing the cause. He never sets himself to show why public opinion after many years of

\* William Hodge & Co. 8s. 6d.

"private enterprise" found it so unsatisfactory that whole nations have been seen to swallow notions that on close examination appear utterly absurd. Nevertheless, he makes a suggestion of the greatest importance, so important indeed that it could lead to a régime of private enterprise free from those defects which enabled the sophists to bring the phrase into disrepute.

### Apply Common Sense

"Whether one likes it or not, it is a fact that the main issues of present-day politics are purely economic and cannot be understood without a grasp of economic theory. Only a man conversant with the main problems of economics is in a position to form an independent opinion on the problems involved. . . . The first duty of a citizen of a democratic community is to educate himself and to acquire the knowledge needed for dealing with civic affairs. . . . What is needed above all is *common sense* and logical clarity. Go right to the bottom of things is the main rule." If sound knowledge of the basic factors of economics were to be generally diffused, however, we believe that Professor Von Mises would be required to explain with greater clarity many of the terms, such as capitalism and free enterprise, which he employs with dubious meaning. Moreover, he, in common with all other prominent economists, would be required to reveal the Great Economic Mystery: why, when land is the first necessity of all production, and land revenue the natural revenue of the community, all reference to this overriding consideration is studiously avoided by prominent economists, Socialist and non-Socialist alike.

It would not be true to say that this book is designed to appeal mainly to the self-interest of the American business man, but a hostile critic might easily be led by some passages to make the charge. The author, like so many of those who are prompted more to criticise the "Left" than to seek the remedy for more fundamental evils, is extremely brief in his references to those methods of tariff and other legalised monopoly by which business men sought to gain legal privilege long before modern bureaucracy reached its present strength. He does "not recommend capitalism for the sake of selfish interests of the entrepreneurs and capitalists, but for the sake of all members of society." But there is nothing in his book to disturb a "capitalist" bent on self-interest by the same methods that have hitherto obtained, and there is little indeed to explain to any member of the "landless proletariat" the cause of the evils which bureaucracy presumes to remedy. One cannot avoid the suspicion that Professor Von Mises does in fact address himself to the self-interest, if not the selfishness, of the business man more than to the general sympathies of mankind.

It is sound and right to show that economic freedom in the long run brings to every producer solid material gain, but there is some danger if we insist too exclusively on self-interest as a motive for social action. At the present time selfishness—unless of that kind so enlightened that it ceases to be selfish—would induce every business man and every operative to make their best terms with the bureaucrat. If we would advocate freedom successfully we must appeal not only to self-interest but also to the social sympathies and higher emotions, to an elevated conception of the dignity and purpose of life. After all, a selfish man will help only those causes which have won or are winning; and this is far from the situation of freedom to-day.

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### OBEYING THE LAW OF RENT

THERE IS an intellectual beauty about the Law of Rent that makes it surprising that it is so neglected in political discussions, even amongst those most concerned with the interests of labour. The Law of Rent is well known; its best expression being that of Henry George in *Progress and Poverty*: "The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use." Here the important phrase is "the same application," that is of labour and its tools, seeds, machines, etc., summed up in the word "capital." This application of labour and capital to opportunities that vary in productiveness, leads, on the better opportunities, to an excess yield which it is obvious, by reason of the terms of the proposition, is not due to the amount of labour exerted.

This law is usually illustrated in some such way as the following. On one piece of land on the margin of production, where no rent is or can be charged, a given amount of labour will produce wealth to the amount of say £100: on a superior site, the same effort will produce £150: the difference representing an economic rent of £50 as between the two sites. If this rent is appropriated by the man who happens to be in possession of the favourable site then an injustice is done to the other man who worked as hard, but whose opportunity was unequal.

There is, however, another way of looking at the Law of Rent, which throws the injustice into even more glaring light. If we turn the above illustration round, and consider, not a given amount of *labour* applied to varying sites, but a given amount of *wealth* to be produced from these differing sites, we get some such result as follows. On the superior site wealth to the amount of £150 requires a certain degree of labour, let us say two days. Then it follows that on the inferior site in our illustration, the same amount of wealth, £150, will require three days labour to produce. That is 50 per cent. harder toil for the same reward. If they exchange their products with each other, or take them to the market, which in the long run will be the same thing, one will be giving the results of three days' work and receiving in return the results of only two days'. For two days' imports he will have to give three days' exports. In other words, the less fortunate worker will have to work one day for nothing.

It is obvious to those who remember the basic economic law that men seek to gratify their desires by working as little as possible, that no man would work on land yielding only £100 worth of wealth if he were free and had free access to better land yielding £150 worth. That is, no man would work for three days for the same result as he could get by working two days, if he could help it. If, however, the rights of private property are extended so as to include land as a commodity on the same footing as articles made by man, then it will be possible for some men to appropriate the better sites of land and the economic rent which their superiority gives.

We have not considered so far the consequence that taxation for public purposes will have to be levied on products of industry because the economic rent fund is thus appropriated by individuals. We wish to focus special attention on this deduction from the Law of Rent, that men who are denied their rights in the land are subjected, not merely to an abstract injustice or some subjective affront to their feelings, but are made to exert hard physical toil beyond the limits of what they would choose under fair conditions.

Yet this is the state of the world to-day, revealing the causes of the world-wide unrest. Forced labour, unrequited toil, men forced to work on disadvantageous sites, when better opportunities are visible to their eyes, these are the

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