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Laissez faire is not enough

IN THE recent contest for the Tory Party leadership, the philosophy of Enoch Powell was firmly rejected. Tribute was paid by the Press to his undoubted integrity and to his single-mindedness where economic principles are concerned. But these were regarded as not enough. These principles are now well known, even if only half-understood. Mr. Powell is a free-market man and no nonsense, and although many Conservatives have a sneaking admiration for his uncompromising stand, few would go the whole way with him. Why? Why this lip service to a free economy by Conservatives while embracing and practising policies alien to it?

The fact is that socialism has made many converts in the Tory Party. The legend that *laissez faire* has "failed" is now deeply rooted. Only the ghost of Conservative belief in free enterprise remains.

Socialists are extremists of course, say the Conservatives. We need only a modicum of nationalisation and we must plan the economy the Tory way so as not to disturb too many entrenched interests.

Ignorant of the real causes of the maldistribution of wealth and of the basic injustices rooted in society — or perhaps, as the cynic would have it, conscious of public opinion and the public's votes — Conservatives accept the idea of a planned economy as an instrument of reform. They hope to retain public support by damming a similar if more extreme version of the same philosophy when carried out or advocated by the Labour Government.

But why is it so widely accepted that *laissez faire* has failed? The weak spot in the private enterprise, *laissez faire* philosophy, would appear to be its inability to solve the problems of the maldistribution of wealth. It cannot of itself rid the world of poverty, feed the hungry, house the homeless, raise the wages of low paid workers and maintain full employment.

Yet the truth of the matter is that the free market mechanism has an amoral, not a moral function, and the question of the rights of property and the distribution of wealth is a moral question outside the field of economics as such. *Laissez faire* should be neither debited nor credited with attributes it does not possess. Were the battle between the state economic planners and the free enterprisers confined strictly to the field of economics, the errors of socialism would be shown to be intellectual ones and the superiority of the free market would become self evident.

Those who argue for government direction and intervention, however, justify their attitude by reference to concepts that are not economic but ethical. One can understand this because the ideas of socialism are rooted in what is regarded as "social justice." The economics of the planned economy have been shaped to meet assumptions regarding the distribution of wealth that are false, and ideas of its redistribution that are immoral. (No matter that in the process some modicum of rough justice, as well as injustice to some, is achieved.)

In socialism and the state planned economy, the overall cost of achieving "social justice" via welfare schemes is phenomenal. In the first place, most of the cost of state welfare comes from general taxation borne by the community at large. In the second place, the cost of administering this redistribution is a dead loss to society. In the third place, bureaucracy is increased and our area of freedom

reduced. In the fourth place, industry and trade is hampered and frustrated by government regulations, incentives are diminished and rich rewards are channelled into the pockets of the artful dodgers of society rather than to the industrious.

All this is necessary, it is alleged, because *laissez faire* or the market economy has failed to achieve moral ends. But apart from ensuring the maximum freedom of exchange with maximum fairness for the exchangers and a minimum of cost to the community at large, the market place has no say in who brings what amount to market. The free market has no more to do with the allocation of wealth among those who produce it than a computer has with what use is made of its findings.

This in no way weakens the indestructible case for a full free market economy; it only demonstrates that *laissez faire* alone is not enough.

This appears to bring us round full circle. If *laissez faire* is not enough, then how about a little socialism? This is akin to saying; if we are not going fast enough, let us go backwards.

The answer lies not in nostrums to deal with the effects of such injustices as state privileges, monopoly, tariffs, protection, subsidies, grants, and the private appropriation of the rent of land, but in preserving the free market while basing it on sound principles of social justice. This is the road to real prosperity — and to survival.