

In Search Of Liberalism

"Liberal policy seems to have moved towards a line of more State expenditure and more State intervention".

TWO MEMBERS of the Liberal Party, John Glyn Barton, prospective parliamentary candidate for South Paddington, and Charles Hanson, lecturer in economics at Newcastle University, have written and published a booklet* criticising the Liberal Party's economic policy. They offer advice as to how this might be improved, and advance their own ideas for economic reform.

Their argument is that it is the total production of wealth rather than its distribution which is important, an approach that is difficult to understand unless the present distribution of wealth is regarded as satisfactory. The question that immediately arises from the advocacy of increased production is "Who is going to benefit?" To whom does increased production belong — the wage earners, the shareholders, the government or the consumers? If certain sections of the community are not getting a fair share of the present "cake," what incentive have they to work harder to produce a bigger one?

The authors regret the 1962 Liberal Assembly decision to put increased government expenditure before reduction of taxation. They argue that most informed commentators now agree on the necessity for tax cuts, and give the example of Japan, which has ignored conventional economic advice and pursued a policy of rigorous tax cutting. "As a result of internal policies which orthodox economists thought would bring about a crash, Japan has achieved in the last ten years the highest rate of growth in the world at 217 per cent, as compared with this country, which, following an almost diametrically opposite policy, has achieved the lowest rate of increase at 28 per cent."

Two examples of assumptions which the authors say must be re-examined are: that the Welfare State is a "good thing," without any disadvantages at all, and that subsidies should be paid to declining industries.

The Welfare State is attacked because of the vast expenditure required for administration, and because the taxing of the industrious and enterprising in order to provide welfare benefits for persons "who are neither hard working nor talented," leads to an undesirably narrow differential between the two. This differential, the authors warn, is now at danger level.

They call for the lowering of tariffs and the abolition of subsidies to declining industries. Speaking again of Japan, the authors say: "As a result of the general policy,

the economy is healthy and flexible; efficient industries are encouraged, while inefficient, out-of-date or wasteful industries decline." They add: "In this country the situation is almost exactly the reverse."

The authors attack restrictive practices in industry but reject the view that co-ownership is the sole answer to Britain's economic and industrial problems.

Included in their recommendations are a number of not unreasonable policies, but it is disappointing that more fundamental reforms are not advocated. It is true that they call for a lowering of tariffs, but only in passing; no mention is made of free trade as a basic policy, nor is it mentioned as a method of enlarging the national "cake."

However, the final paragraph of this booklet contains the true essence of liberalism:

"The fundamental problem which must be squarely faced in this rethinking is: To what extent does the Liberal Party *really* believe in the individual, and trust him to choose for himself, rather than have the state choose for him? To a large extent, freedom depends upon the amount of money which an individual has in his pocket or in the bank, to spend as he wishes. During the last year or two, Liberal policy seems to have moved towards a line of more state expenditure and more state intervention. It is for this reason that we can promise the electorate no reduction in taxation from a future Liberal government. And if the party is to move towards the policies tentatively suggested in the "Industrial Affairs" pamphlet, it is, in effect, committing itself to a policy of more state intervention in the conduct of industry than most Socialists have imagined in their wildest dreams. Both the Labour and Conservative parties are committed to such policies of high state expenditure and more state intervention. Could it be possible that the British people today are looking for a government they can trust, and who will trust them to run their own affairs; a government, in short, prepared to turn its back on the policies pursued by both the other two parties over the past thirty years, and to adopt policies directed to achieve a reduction in individual and corporate taxation, and thus greater freedom of choice for the individual, and the provision of an economic climate that acts as a stimulant to and reward of, enterprise and efficiency? If this is not to be, the trickle of our talented and able men to America, and elsewhere, will become a flood, and the best welfare planning in the world will be without a viable economic basis and, consequently, an illusion."

Unfortunately, the authors make no reference to land. This is a great pity, for a progressive land policy is vital to both a more equitable distribution of wealth and increased productivity. The necessity for state-aided welfare services and state intervention in industry is brought about by a refusal on the part of economists and governments to examine basic principles.

R. C. G.

* *Down to Earth in Economic Affairs*. 1s. 6d.