

TWO ARTICLES IN THE BRITANNICA YEAR BOOK

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Free Enterprise

One of three feature articles in the Britannica 1976 Book of the Year is entitled "Free Enterprise in America". It is by Robert Nozick, professor of philosophy at Harvard University. He gives a good description of a system of free enterprise consisting of private and transferable rights - property rights, freedom of action, of exchange, of association and of contract; he stresses the necessity of freedom from controls.

America, says Prof. Nozick, has flourished under a system that includes large but not unlimited scope for free enterprise. Reviewing its history from colonial times to the present, he attributes its progress to extensive divisions of labor, economies of scale, a population willing to work, save and bear risks. "No land tenure systems stopped enterprising persons from acquiring and utilizing more land." This statement ignores the land tenure system brought here by the colonists, as well as later developments.

Prof. Nozick recognizes that government has aided in achieving prosperity by providing a framework of protection and by certain activities such as auctioning land and the Homestead Act. But the United States does not have a completely free enterprise system. There were activities, national and local, detrimental to market processes - such as the enslavement of blacks, the restriction of credit through the Federal Reserve system and the trend toward cartelization of industry.

Asking why detrimental interventions persist, Prof. Nozick points out that the few who benefit greatly from a single intervention are willing to devote energy and resources to its continuance, while among the many who suffer by it, it is usually not sufficiently in any one person's interest to devote significant resources to opposing it.

Prof. Nozick concludes by emphasizing the concept of freedom: "The ability to engage in market transactions, unhampered, is itself a component of liberty... Governments have no moral right to prohibit capitalist acts between consenting adults." He closes by warning against the dismal fate that will be ours if we fail to stop the drift away from these ideals.

Nowhere in the essay does Prof. Nozick come to grips with the land question (which would help explain the drift away from the ideals of liberty). Nevertheless this is a challenging and thought-provoking article. Prof. Nozick is the author of the book Anarchy, State and Utopia, a widely acclaimed defense of private enterprise and a critique of the welfare state.

Unemployment and Inflation

In the same Britannica Year Book is another special report on "Unemployment and Inflation" by Harford Thomas, formerly deputy editor and financial and city editor of The Guardian, London. Mr. Thomas finds the coincidence of high unemployment and high rates of inflation in marked conflict with some long cherished economic theories. He points out that economists failed to foresee that persistent inflation would co-exist with persistent unemployment, or that growth would stagnate as government spending was poured into the economy.

The policies of 1918-1940, says Mr. Thomas, did not work as expected. Nor did the Keynesian policies generally adopted in more recent years. He thinks the

present rates of inflation are too high to be explained by the Phillips curve, a technique developed by the New Zealand economist A.W.H. Phillips. Using United Kingdom statistics, he found a constant relationship - the higher the level of employment, the higher the rate of inflation.

Without exactly endorsing it, Mr. Thomas cites the view of monetarists headed by Milton Friedman, who hold that increased demand tends to increase prices rather than output or employment, and that it is self-defeating for government to try to spend its way into a higher level of employment.

To solve the problem, Mr. Thomas thinks, may mean acceptance of a high level of unemployment (is this a solution?) and redistribution of much industrial output to the markets of the less developed countries. In any event, he concludes, there must come some slowing down of the growth rates of recent years. (Have we all got so much that we should all have less?)

There are factors having an impact on the economy which are not adequately considered in this article - rent, taxes, government spending, labor unions - which if pursued might have gone further toward a solution. Yet within its limited scope this article does well present some aspects of the problem.