

## THE ROAD TO SERFDOM

IF THERE is any meaning in the conflict upon which we are engaged, it is that it is a struggle between two opposing and fundamentally divergent political philosophies. The one upholds the right of the individual to live his life in freedom; the other the right of the State to do as it will and to dispose of the individual to serve whatever purposes the State decides. The question which Professor Hayek poses in his thought-provoking book\* is whether we are not in danger of losing our freedom in spite of winning the war. He points out that the development of the Nazi system was not due to some inherent vice in the German people, but to the steady growth of a system of ideas which exalted the power of the State and denied the rights of the citizen. He asks us to recognize the existence in this country of the same tendencies and "to re-examine, and if necessary discard beliefs which we have taken over from the Germans and by which we are still as much deluded as the Germans were."

The mere statement of such a proposition will come as an unwelcome shock to most people. It is to be hoped that they will not on that account be deterred from reading a masterly examination of what is involved in the prevailing trend of thought in economic questions and of the political and social consequences of translating that thought into economic policy.

In a short review it is almost impossible to give an accurate impression of a book which compresses so much into so small a space. The difficulty is enhanced by the imprecise character of the terms used in political and economic discussion, and above all by the fact that most of those who advocate policies calculated to destroy freedom do so in the honest belief that they can thereby attain more freedom. Criticisms of the policy are therefore mistaken for opposition to the ideal or are interpreted as attacks upon the personal honesty of the individual who holds the belief which is called in question. That attitude will no doubt be adopted towards this book, but it does not dispose of the logic of Professor Hayek's economic and social analysis.

There can be no doubt that during the present century a profound change of opinion on economic questions has been taking place, and it has reflected itself in the economic policy of the State. In this country our policy had been directed towards removing restrictions upon economic liberty and leaving people free to pursue whatever aims they pleased subject only to a general framework of law which should apply to all equally. During and after the first world war a change of opinion took place. The State intervened more and more in economic affairs. Tariffs for the protection of a few industries were followed by more general tariffs, then by quotas and marketing boards

and other more direct means of preventing people from entering certain industries and creating a monopoly for those who were already engaged in them.

As unemployment increased, largely as a result of the pursuit of these policies by ourselves and other countries, the demand for more and more State intervention became intensified. Our economic troubles, no matter what their origin, were all to be cured by planning, that is to say, by State planning or direction. The search for the causes of economic evils was abandoned. The Marxian doctrine of the inevitable concentration of industry and of the inevitable drift towards collectivism became implanted in the minds of men of all parties. "The myth is deliberately cultivated that we are embarking on the new course not out of free will but because competition is spontaneously eliminated by technological changes which we neither can reverse nor should wish to prevent." Once this idea has become embedded in men's minds, the progress towards totalitarianism can be very rapid, as Professor Hayek shows was the case in Germany.

The idea of economic planning is seductive. We all know that if we are to succeed in any activity we must plan what we are going to do. It seems to follow as a matter of course that economic planning by the State is the right course to pursue. In whatever field of action that is properly undertaken by the State, it must no doubt have a plan of action. But this does not answer the question: what is the proper field of State action? Those who adopt a completely collectivist or totalitarian view consider that the State must control the whole production and distribution of wealth. Indeed, if it controls the production of wealth it must automatically control the distribution, because all wealth produced will be the property of the State.

Thus the State will determine what shall be produced and what each individual shall have. That is to say, that a small minority of the people will decide what the rest of the people shall do and what they shall have. The enforcement of these decisions must rest ultimately upon force, upon the use of police power, or else it must rest upon propaganda, upon the control of the Press, the radio and all means of disseminating opinion in order to make the people believe that what is done is best for them—in other words, they must be forced to accept or induced to believe that the plan made for them is what they want.

In a free economy the matter is entirely different. What is produced is determined by the wishes and desires of consumers. The producers have to adjust themselves to this demand. It may be said that this imposes an economic compulsion. So in a broad sense it does. But the matter is entirely different from affairs in a planned economy. There the consumer can no longer please himself. If the ration is

four ounces of margarine and two ounces of butter, he has to take it or go without. If he endeavours to adjust matters with another citizen who has different views of the relative desirability of these commodities, then they are both guilty of the offence of private trading.

It will be said, however, that the State will produce just what consumers want. No one, however, has yet suggested any means except the mechanism of a free market for ascertaining and giving effect to the wishes of consumers. It is, in fact, admitted by the advocates of economic planning who have given any thought to the mechanism of planning that the plan must be devised by a small body of so-called experts. Unless that is so the plan as a whole cannot be made to hang together. Even so, it is difficult to make the various parts of it consistent with one another. This perhaps explains why in the Russian plans the State never seems to have achieved the exact quantity planned for, and the percentage of achievement varies from commodity to commodity. The planner starts by presupposing what quantities of goods the consumers need, and then adjusts his plan to try to produce these quantities. He may find it impossible to produce the quantities at which he aimed, or at least impossible to do so without wasting quantities of labour and capital.

But it will be said, if our unplanned economy works with any degree of success, a planned economy must work much better. This contains a fallacy which Professor Hayek clearly exposes. Our present economy is not an unplanned one. The planning is done by individuals in a range of activity with which they are familiar and in which they are expert. The plans of all these individuals are co-ordinated or kept in harmony by means of the mechanism of the market. The consumer chooses this or that according to the price asked and his own judgment of what it is worth to him. The producer has to adjust his activity accordingly. The penalty is an economic one. If there are too many grocers, some will have to seek other occupation. If there are too few, people will be attracted to that trade from other occupations.

It will be said that this is a simplified and idealised picture, that the penalty of failure is unemployment, starvation and misery. But these are not the inevitable results of a free economy; they are only the results in an economy which is imperfectly free, in which the opportunity to turn from one occupation to another is somehow lacking or denied. We are therefore driven back to a search for the causes of monopoly and imperfect competition.

What above all is to be remembered is that every extension of State planning prevents individual planning. The intervention of the State produces an arbitrary element in economic life which upsets the plans of the individual. It is on this account, as Professor Hayek

\* *The Road to Serfdom*. By Professor F. A. Hayek. (George Routledge & Sons Ltd.; 10s. 6d.)

so cogently explains, that every step in State planning of economic life leads to other steps. If the State imposes a tax on matches, it then has to impose a tax on petrol lighters, and if some other substitute is found will have to extend its activities still further. If it fixes the price of some commodity in order, as it thinks, to give the producers a fairer return for their labour, it must prevent competitive supplies from being imported and it must prevent new home producers from entering the trade, and then for fairness it will have to impose a quota upon what each produces. The benefit which is conferred upon one group produces envy by other groups and pressure upon the State for the like benefits. At the same time the special privileges conferred upon some, impoverish all the rest either in higher prices or lower earnings. Although, and because, the chain of cause and effect is not understood, this produces a fresh clamour for State intervention. It is on this account that the drift to totalitarianism once begun proceeds with ever increasing speed until it sweeps all before it. The State, which perhaps had no such intentions, and proposed merely to help some influential industrialists or a rather strong trade union, finds itself before long called upon to fulfil a task which it has not the means to do and which is inherently impossible. It has destroyed the means of individual planning, and its collectivist planning cannot take full account of the needs of individuals because it lacks the mechanism of the market and of private property—the two things which are the foundations of freedom in economic affairs.

All this argument will be distasteful to those who think of collectivism as a democratic system and as a means of achieving greater freedom for the individual, and these are no doubt the majority of those who adhere to the idea. But the question is what will the extension of economic planning in fact lead to when it embraces the whole of economic life. If we do preserve the forms of democracy, can we preserve its substance? It is impossible to put before the electorate the details of an economic plan; the complexities of it are too great. Neither is it possible to put before them the principles on which such a plan is to be constructed, because there are no principles which are capable of formulation in exact terms. The idea is supported by vague general aspirations, such as the famous phrase: from each according to his ability, to each according to his need. Such ideas cannot be embodied in an Act of Parliament. There is no means by which ability or need can be measured in the absence of a market in which these things are subjected to economic valuation as a result of the interaction of millions of individual valuations. Thus, in fact, if the forms of democracy are preserved, all that the electors can at most determine is who are the individuals who will be entrusted with the duty of making and executing the plan. They must inevitably hand over to a few the duty of

deciding what shall be produced and for whom it shall be produced. This is the end of economic freedom, and it is likely to be the end of political freedom. The prize of attaining office under such a system is the achievement of a power over the lives and fortunes of others such as no ancient tyrant ever enjoyed. Nor is there the slightest chance that the best will come to the top. On the contrary, because there are no simple and easily formulated issues which can be voted upon, those will succeed who can most cunningly promise the most incompatible things to various groups of electors. It is an easy step to the one party state and to the dictator.

All this seems at present an impossible outcome to us who have inherited the results of many centuries of struggle to curb arbitrary power and to regulate the affairs of men by an impartial application of law. But did it not seem equally impossible to most of the inhabitants of the totalitarian countries forty years ago? Did not most of them acquiesce in, if they did not actually promote, the changes which lead to dictatorship because they accepted an order of ideas which lead to that result?

All this is not to say that we live in the best of all possible worlds, that there is no field for improvement or for reform. What it does point to is that the road of progress is that which on the whole has been followed in the past, which has brought us out of slavery and serfdom into a condition in which the scope for initiative has been greatly widened and in which men are free to pursue their ends with greater freedom and in which reward is to some degree correlated with effort and responsibility. But if individuals are no longer able to plan, responsibility is destroyed. What is needed is not less freedom, but more; not the creation of one gigantic monopoly, but the destruction of monopoly and privilege wherever it may appear and whatever form it may take.

Rightly understood, this book is not a defence of things as they are. Its message is properly for those who belong to the "left" in politics. It may shake many commonly held beliefs, but it deserves to be read by those who sincerely desire to combat totalitarianism in all its manifestations.

#### "QUOTE ME RIGHT"

In the Debate of 20th April, Mr. Churchill, interrupting Mr. Wedderburn who had quoted a famous Churchillian statement, said: "They might quote me right anyhow." We have looked up the records and here are two authenticated versions: At Manchester on 13th May, 1904—"Sentiment by the bucketful; patriotism by the Imperial pint; the open door at the public Exchequer; the open door at the public house." At Dundee on the 8th May, 1908—"Sentiment by the bucketful; patriotism and imperialism by the Imperial pint; an open door at the public Exchequer; an open door at the public house." Neither of these speeches is contained in H. W. Massing-

ham's collection of Mr. Churchill's speeches, *Liberalism and the Social Problem*, published in 1909.

#### THE MARCH 1939 "CEILING"

In the House of Commons on 27th April, Mr. R. R. Stokes asked the Chancellor of the Exchequer "whether any data exist whereby he can now ascertain what was the value of land as in March, 1939, with or without its present improvements, which may be the subject of purchase for public purposes; and whether, if no such data exist, it is proposed, in order to establish the purchase prices ruling in 1939, to have a valuation made ascertaining, in respect of each piece of land, what its value was assumed to have been in 1939."

To which Sir John Anderson answered that he was advised that sufficient data existed to enable the value to be ascertained as at March, 1939, of any land that may be the subject of purchase for public purposes.

Not a helpful reply. The fact is that no general valuation of land as at March, 1939, or at any other date exists. The data which may be used for arriving at a valuation of this or that piece of land, as it was in March, 1939 (or any other date), are no different from the data that have always been available to the valuer of the Inland Revenue when his opinion is asked in any given case, such as particulars regarding recent sales and leases or recent death duty valuations of land in the vicinity which may serve for comparison. These particulars, however, are secret. Neither the purchaser nor the vendor has access to them, and in arbitration cases the local authority has not the advantage of being able to cite or depend upon any evidence which may be in the possession of the Inland Revenue.

#### MIDDLESEX

The debate on Councillor John Boggon's resolution on the Rating of Land Values, reported in our April issue, had an extraordinarily good "press" in the Middlesex newspapers. This fine publicity is some compensation for the defeat (by 54 to 27) of the motion. The opposition could not withhold from the public the unanswerable arguments, supported as they were by telling instances, that Mr. Boggon and other speakers provided in justification of the policy. Middlesex had spent £6,000,000 on the construction of arterial roads, and in the resulting increase in frontage values had made a gift of £15,000,000 to landowners who had done nothing to bring about these public improvements. The Council in the effort to get a green girdle around Finchley had had to pay £10,000 for two acres of land near an arterial road which previously had commanded only an agricultural value. Similar examples of school and factory sites were given.

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