

people to fulfil it." "The science of planning in the U.S.S.R. is based on unified and integrated programmes which observe a strict ratio between the components of the national economy, all subordinated to their growth in the national goals . . . These assignments cannot, of course, be made arbitrarily. Planning does not mean that society can revise its plans at will. The ratios in the national economy are not established because of somebody's whim — they are subordinated to definite laws the violation of which would disrupt and paralyse the country's economic life." Yet, "No ratios ever remain constant," so it becomes "important to anticipate such changes and alter national plans in order to forestall imbalances . . ." This astonishing self-eating exercise concludes with the pronouncement "Planning is also scientific because it is based on knowledge of economic laws." Laws unspecified; unless you can include "the law of the continuous rise in labour productivity" as one of them.

But however mythical the economic laws supporting the Soviet planned economy, there can be no doubt that Mr. Lukanstev's proud boast that the Soviet Union knows no crises or depressions is, in the sense in which he makes

it, true. "Its national economy makes steady headway at a high and stable rate. Unemployment has been done away with . . . The right to work, leisure and education is inscribed in the Constitution." We may know how much salt to take with the whole of that statement but, basically, it is demonstrably true. It does not follow that this is the direct result of planning. On the contrary, it can be demonstrated that, whatever economic advantages the U.S.S.R. enjoys over Western countries they are due mainly to one thing (and this is true despite planning and dragooning and suppression of human freedom of choice and initiative, not because of it) and that thing is Rent. The Soviet society collects the rent of land — however inadequately — instead of allowing individuals to monopolise it, as in the West.

This being so, how much less likely to succeed is Western-style planning, lacking as it does the basic advantage of land-value revenue and handicapped because of this by the ever-increasing burden of taxation? But we must not make the collection of the rental value of land a condition of state planning for this must stand or fall on its own merits.

WANTED: A MODERN SOCRATES

THERE are I believe still a few people who maintain that the earth is flat, although further organised attempts to propagate the theory have finally been abandoned as hopeless in the face of universal disbelief. It would, nevertheless, be interesting to speculate on the effect that widespread acceptance of the theory would have had on concepts of geography, demography and related sciences, assuming that Galileo had never lived and maritime exploration had not challenged and exploded it.

However, scientific knowledge has proceeded like a tidal wave, to obliterate "flat-earth theorists" in all departments but one. The exception is modern economics. Nothing is now likely to happen to upset the basic premises of physics, chemistry, anthropology, even astronomy. Economics, on the other hand, is like a dream adrift in the unconscious, looking for a mind in which to come to rest. Or perhaps more appropriately, like a swarm of bees without its queen; disorganised, disorientated, it drifts from point to point, pulled this way and that by the nebulous impulses of its members.

The bewildered murmurings of the swarm are constantly beating upon our ears. More ominously, economics has the permanence and respectability of a religious cult, assisted undoubtedly by the developing incomprehensibility of the jargon in which it is rendered.

Economics, you might be forgiven for imagining, would have to do with an understanding of man's nature and the way in which he proceeds to satisfy his needs within his environment with the faculties he possesses and the

skills he may develop. You would be sustained in your conclusion by the writings of the great minds which were bent to this subject during the past two hundred years or so, Quesnay, Turgot, Adam Smith, Ricardo and Henry George. But that was one thing; "modern economics" is quite another. You may understand the nature of this difference if you listen to the jargon in which the practitioners of modern economics endeavour to express themselves: "arbitrary percentage limits of unused capacity;" "import-export ratios;" "deficit-conscious nations;" "incomes policy;" "demand-capacity relationship."

What is the popular "image" of economics? What impact does it have on the ordinary man or woman? Would it not be correct to say that, to the general run of people, economics is a rather obscure profession engaged in remote academic discussion of highly speculative propositions quite unrelated to the ordinary business of earning a living or managing a business? The swarm has been buzzing about the ears of the common man for so long, and the comprehension of its language has become so progressively more difficult, that he may be excused for holding such an impression. And only in the case of its assumed lack of influence on society's future would he be wrong.

Its influence could, if not checked, be devastating. For the spurious authority it is being accorded by well-meaning but ignorant or obtuse men in the seats of power, is potentially dangerous to society. For economics, as practised and taught in this country and throughout the

so-called civilised world today, is far removed from what was once known as the *science* of political economy.

Why is this? One is tempted to use the classical reply of a member of a "panel" in a popular radio programme—"I think the answer lies in the soil." And, strangely enough, that is not so far from the truth. At least it is one answer, the proof of which is to be found in any textbook of orthodox economics, where Land (the generic term for all natural resources) becomes Capital. On that basic error a structure of economic fallacies has been raised, leading to endless confusion, in which "economists" can still talk glibly about the "free economy" in the same breath as though its existence remained totally unaffected by complicated government economic planning. (This is why economists, afflicted by this mental aberration, are able to coin such phrases as "planned free trade.") And so to the music of economic catch-phrases we march steadily towards the sovietisation of society while still deluding ourselves that we live in the "free world."

Within the space of a fortnight, recently, three professional economists contributed the following statements to the national Press of Britain, one of which elicited an equally illuminating letter from a Member of Parliament. Samuel Brittan, Economic Editor of *The Observer*, in his column "The Nation's Business," opened his remarks with this astonishing confession:

"Every now and then I receive letters from readers who are at a loss to understand the official propaganda about exports. 'How can every country in the world increase its exports more than its imports?' I am asked. 'We can't all export more unless we also import more.' Up to now I have sent such readers the orthodox reply . . . but I must admit that I am beginning to feel more and more uneasy on the subject."

After enlarging on this puzzling anachronism, by reference to various countries throughout the Western World, he arrives at this interesting conclusion: "A single country can, it is true, improve its balance of payments, at least in the short run, by putting a brake on its internal expansion. But if every country tried to do this, the result would simply be general stagnation. That is why the present official policy of attempting to boost exports, by holding down demand in this country while expansion takes place in Europe and North America, is anti-social (to a Kantian it would be by definition immoral) and can only encourage a type of international behaviour from which we ourselves will be among the principal sufferers."

Finally, after a disquisition on interest rates and monetary policy, he emerges into the daylight for a moment with this: "Alternatively, a move to floating exchange rates, in place of the present fixed currency values, would provide an automatic regulator for exports and imports, and do away with the balance-of-payments obsessions (sic) from which all governments now suffer." He ends, as one would expect, with the usual genuflection to expediency: "Short of such major reforms the more limited improve-

ments in our own international monetary manners which I have just suggested would be a great help . . ."

William Rees-Mogg, political and economic editor of the *Sunday Times*, takes as the starting point for his scintillating cerebrations Professor Paish's recently published "Studies in an Inflationary Economy." After suggesting that at least one of the essays in the learned professor's book provided the Chancellor of the Exchequer with the theoretical basis for his latest Budget, he considers the theory, which he describes as "both new and intriguing" and proceeds to demonstrate how unrealistic it is. The theory is designed to answer the question "Why is it that this country cannot run prosperously for more than a very few years without getting into trouble," The answer, you will be staggered to learn, is "that the level of demand has recurrently risen faster than the increase in capacity." Mr. Rees-Mogg then shows that Professor Paish confuses "capacity" with the "level of employment" and declares: "This is a line which is plotted on the basis of a tenuous and doubtful argument." And he proves how really wrong the professor is by reference to certain actual economic facts which any first-year student would recognise as elementary.

This article inspired Mr. William S. Shepherd, M.P., to write a letter, from which the following extracts illustrate his own particular brand of confusion: "The level of employment that can be maintained without running into inflationary dangers depends upon a number of factors, of which the psychological is by no means the least important. What is critical is the degree of competition which can exist in any economy within a given margin of surplus capacity." Then after listing the factors which operate in restraint of competition — tariffs, preferences, restrictive practices, etc., — and demanding the removal of all such obstacles to effective trade, he comes up with this priceless pearl: "If we want a warning indicator, would it not be simpler to take heed of the Ministry of Labour's figures when the total number of vacancies start to exceed the total number of unemployed?" It is doubtful whether the human beings comprising the "margin of unemployment" would be happy to be thus deprived of opportunity and content to become cyphers in Mr. Shepherd's theoretical concept, for the sake of a "balanced economy."

Finally, there is Mr. Maurice Green, making his contribution to the general discussion in an article in *The Daily Telegraph*, based on both Professor Paish's "Studies" and Professor Cairncross' "Factors in Economic Development." The main theme of Mr. Green's argument is "growth," and after calling the Chancellor of the Exchequer, and by inference Professor Paish, severely to account for offering only negative deflationary policies which instead of fertilising the economy only serve to abort it, he turns to Professor Cairncross, another of the Chancellor's backroom boys, whose profound proposition

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DANISH NEWS

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idea that freer trade and lower customs duties will apply only internally. They also fear that restrictions and social and economic regulations will increase the price of land and the cost of living. In this way Denmark stands to lose all the reforms she has gained so far.

A specially nominated official agricultural commission's majority decision to force small farms of under 17 acres to amalgamate into units of 60 acres, was opposed by Georgeist deputy Mads Sig Steffenson. By comparing the results of periods 1934 to 1939 and 1954 to 1959, he proved that farms averaging 17 acres increased their yield by 30 to 36 per cent. per acre, while farms averaging 460 acres increased by only 11 to 20 per cent., per acre. The commission's decision was also opposed by the small farmers themselves.

Concerning output and working costs the figures are as follows: on small farms output per worker has increased by 79 per cent., working costs by 74 per cent.; on large farms output per worker has increased by 33 per cent., working costs by 54 per cent.

Steffensen and Gronborg both agree that the optimum size of farm from a social and economic point of view would be from 17 to 30 acres, which is the average found today in Danish agriculture. In England, however, there is the paradox of very large and very small farms resulting in an average acreage of 65.

Steffensen concludes that if the idea of abandoning the small farms, or amalgamating them, was replaced by full land-value taxation all the present difficulties would be resolved.

WANTED: A MODERN SOCRATES

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is that growth in a highly developed society like ours depends rather less on the mere quantity of capital investment than on innovation and improvement of methods, and the important major contributions to this end are education (technical), competition and "the shaping of business taxation to ensure that business has the incentives to respond to the challenge of competition and export demand."

Of these modest requirements Mr. Green heartily approves and he chides the Chancellor with neglecting to opt for the Cairncross cure, rather than the Paish one. He goes on to chat happily about fostering "investments and loans from abroad," a policy which should be "considered with sympathy rather than alarm." And he looks into the near future, through rosy glasses, at the signs that the experts are providing such useful tools as "reports on consumer protection and company law, enquiries into retail price maintenance, business taxation and monopolies." 'NEDDY,' that untried mule from which so much is hoped, should be able to look after such things as "skilled labour and apprenticeships," while others "in-

cluding aspects of monopolies and competition" may be safely left to the Common Market. (!).

Finally, Mr. Green produces his ace—Professor Erhard, the West German Finance Minister, whose policy he commends as "both economically sound and politically potent." One of the leaves from Professor Erhard's book he recommends to the Chancellor's attention is that "The consumer is supreme." (That's what I said). "The will to consume keeps alive efforts for greater efficiency and improvements. Innovation and advance flourish only if consumption exercises a constant pressure on the economy." The other leaf is that "although freedom is essential, it needs constant nurturing."

Well there you are. Surely from this fount of wisdom, it should be possible to catch one good cupful of economic common sense? The trouble is, there are so many taking the waters these days that the crowding and jostling permits nothing but a few drops in anybody's cup, and that is soon spilt in the scuffle.

Meanwhile, the great big round world keeps turning with no visible assistance from the economists as far as one can see. Would you say "in spite of?" You may very well be right. P.A.G.

LAND AND THE FREE SOCIETY

IF WE ask ourselves whether in this bewildering complex of rights which men call property there is any clarifying principle of order, we must, it seems to me, take as our premise the principle enunciated by Sir William Blackstone that "the earth . . . and all things therein are the general property of all mankind, exclusive of other beings, from the immediate gift of the Creator." This does not mean that the earth and all things therein should be administered by a central collectivist authority or that individuals should not or cannot be made secure in the enjoyment of private rights. But it does mean that no individual can or should exercise a sole and despotic dominion over any portion of the earth or of the things therein. The earth is limited in size and its use is necessary to every man's existence. Therefore, the rights of any man upon the earth must be reconciled with the equal rights of other men, not only of living men but of the unborn generations. No one in his senses can therefore believe in an absolute right of property which would permit the transient possessors of the land to destroy its fertility, to burn down forests, to cause the streams to dry up, to squander at will the minerals under the surface. These owners did not make these resources. They are unable to re-create them. What title have they then to claim that posterity has no rights which they must respect? The true doctrine surely is that men hold property in limited and necessary natural resources, not as sovereigns, but as tenants. . . .

(From Walter Lippman: *The Good Society*)