

A Text-Book of Anti-Economics

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THE easiest way of finding out how a complicated system works is to start by ignoring many of the complications and looking at how it would work if it were a great deal simpler. This is why economics school books deal in imaginary situations in which only two things are produced with only one sort of labour; and why even the most advanced textbooks analyse situations which are obviously unreal. Their authors would claim that, since economic systems are exceptionally complicated, a considerable amount of simplification is unavoidable. Nevertheless, this method does tend to make economics seem altogether unreal and unconnected with the world as we know it. So a book entitled *Economics of the Real World* might be expected to have a pretty wide appeal.

Of course, every writer on economics draws his reader's attention to the unreality of the assumptions, and attempts to relate his findings to what actually happens in the real world. But Peter Donaldson, the author of this new Penguin*, goes further: he demolishes the entire system he has described and sets about building his own alternative. In a chapter on the principles of income distribution, for example, he shows how incomes would, in theory, be determined if there were free competition for jobs and if labour were perfectly mobile; and he goes on to claim that, since the real world is not like this, there is no real reason why all incomes should not be "broadly equal". And in chapters on how, in theory, in the market system the consumer decides what is to be produced, he demolishes the entire structure by reference to mass advertising and marketing. "The present pattern of output in rich capitalist countries", he says, "must be judged profoundly unsatisfactory."

A sense of moral outrage at the way the economic system does work in the real world enlivens the pages of the book, and the reader's sympathy for its victims is powerfully enlisted. Mr. Donaldson spends little time in diagnosing the ills of the present system and it is evident that he does not want to cure the system; he wants to replace it. But the most unsatisfactory aspect of the book is that it fails to give a convincing account of how the replacement would work. "... in fact we do jobs not just for the money involved, but because they happen to satisfy other personal urges. . . ." So, if we were all paid the same wage, "... responsible posts would still be filled, because there are many people who enjoy taking de-

cisions and holding positions of power . . ." and ". . . even dirty and dangerous jobs would still be manned, either by those who for some personal reason prefer them, or by those who are unable to find pleasanter or safer employment. . . ." Under Mr. Donaldson's alternative system, the proper pattern of output would be determined by "cost-benefit analyses" and "social efficiency audits" instead of by the pattern of private spending. This is all very interesting but it does raise some questions. How would the pattern of employment be made to fit the desired pattern of output, for example? This and other questions go unanswered, and one can only speculate as to what the author has in mind.

Moral justification is the dominant issue in this book. A society in which each individual received the precise equivalent of what he contributed would be morally unacceptable to Mr. Donaldson. The rewards granted to an individual by society should not, in his view, depend upon how strong, skilful or intelligent that individual happens to be. On the contrary, he wants positive discrimination in favour of those less fortunate in these respects. A moral choice of this sort is not, of course, arguable but it is not enough to pose this issue in isolation from its practical implications. Suppose, for the sake of argument, that even the least fortunate would be better off under a market economy (with its ills cured) than under the egalitarian, output-regulated alternative. What then would be the moral choice? This is the true issue, and Mr. Donaldson's book has evaded it. It is both a moral and a practical issue, and it cannot be faced without an honest attempt to diagnose the ills of our present system and seek a cure.

* BBC Publications and Penguin Books, 45p