

LIBERALS AND THE PLANNED ECONOMY

The Editor, *Land & Liberty*.

SIR,—Of all British traditions none is more endangered by the modern conception of a State Planned Economy, directed by an Economic General Staff, than the well-tried principle of the freedom of the individual. Liberty in Great Britain never meant licence, but, in the eyes of our Liberal fathers, it undoubtedly did mean the absolute right of the individual to trade freely either at home or abroad without licence or permit or let or hindrance by the State. The founders of the liberal tradition allowed no deviation from this ideal, and their legislation aimed at breaking up any controls or monopolies which nature or the will of man might place in the way of its attainment.

The restricted supply of land particularly offended the liberal instinct for freedom of trade, so that legislation, since repealed, was passed for the taxation of land values with the object of breaking up land monopolies and forcing unused land on to the market.

Liberals certainly approved of "*laissez-faire*" when the phrase was first used by the merchants of Lyons in their interview with Colbert, the minister of Louis XIV. Colbert, who lived at a time when State control of economic affairs was as great as in our own pre-war days, naturally expected that the object of every deputation of merchants was to request some protection or privilege, or at least a subsidy, for their own particular trade or sectional interest. It must have been a staggering surprise to him when he received the reply "*laissez-faire*" to his inquiry as to the exact State-help required.

Surely the right to produce freely and the right to trade freely are in the true line of liberal tradition. John Stuart Mill would have endorsed this wholeheartedly, and a long line of liberal statesmen, from Gladstone to Lord Lothian, would have proclaimed it the very corner-stone of the temple. Is this right to produce freely and this right to trade freely no longer, then, to be the undisputed possession of every Englishman? It would seem so, if the nation-wide clamour for a State Planned Economy is successful, for this popular demand means the end of the farmer's right to produce whatever he thinks best on his land; the end of the right of the manufacturer to cater for the market according to his expectation of profit; the end of the citizen's right to enter into any calling he may choose; the end of free competition and the end of free enterprise—the end, in fact, of all liberal economic principles.

Freedom of enterprise with its liberal concomitant of free trade has probably been tried only twice in history. In all the strange vicissitudes of fate which have overtaken mankind, there have only been two periods during which the economic system has been reasonably free from State interference and the individual free to buy and sell without the permission of authority.

The first of these experiments in economic freedom was in the great days of Greece. We are told that the Greek conscience was profoundly shocked at attempts to restrict this freedom when Athens excluded the State of Megara from its markets. The other great period of liberty was in the great days of Britain: the wonderful times of Victoria and Edward VII. During the seventy years that followed the repeal of the Corn Laws the population of this country was nearly trebled, as was the standard of living of the people. The goods of the world poured into our ports, and we were busier than at any time, before or since, in producing goods to send abroad in exchange. These barriers of trade—tariffs and bureaucratic controls—were reduced all over the world and all peoples shared in Great Britain's prosperity. Hope for the continued improvement in the conditions of mankind was universal.

The seventy years of free enterprise and free trade were years of continual development in the moral and material betterment of mankind. And this advance in human felicity ended just thirty years ago, when what Adam Smith would have called "the mean and malicious spirit of restraint" again dominated the heart and thoughts of mankind.

The suggestion sometimes made that "after the last war we went back to pre-war conditions" is an absolute falsification of history. Hardly had the shooting war ended when the tariff war began. There was an almost universal demand for autarchy and self-sufficiency; nation piled up tariffs against nation. America introduced its Hawley-Smoot tariffs, and even our Dominions piled up tariff walls against us. The world which for seventy years had been steadily doing away with tariffs and controls suddenly brought them all back again. That expanding liberal free trade economy was blindly destroyed by tariffs, quotas, preferences, controlled exchanges and manipulated currencies.

This deliberate stoppage of trade could only end in disaster. For a while the inevitable crash was delayed by huge international loans and by a general inflation of currencies. But the laws of trade cannot be cheated. Trade is an exchange of goods, and if that exchange is stopped, manipulation of currencies can only delay the end. All too soon the crash came and the greatest setback in economic history was upon us, and more misery and unemployment than the world had known for a hundred years. The world's trade fell by two-thirds. Could anything but misery and unemployment be expected? Economists have taught us in the past that State interference in economic affairs brings disaster. It seems as if these economists were one hundred per cent. right.

One would have thought that the result of this great experiment in State interference in our economic affairs would have been a warning to the planners.

But, instead, it gave rise to another great wave of economic planning which occurred in the early 'thirties. This time coffee was thrown into the sea, hundreds of thousands of acres of crops were destroyed, thousands of pigs were slaughtered to make bacon dear and farmers were actually paid not to produce. In Great Britain we introduced the Agricultural Marketing Acts. The gifts of Providence were thrown back in his face, and this period of misery and unemployment and reaction against liberty ended in war.

It is impossible to have a free political system based on an unfree or planned economic system. We cannot be half-free and half-slave. The planners sitting in their offices may draw up their blue-prints, but there is no reason why the people should fall in with their plans. Before they do so persuasion must become command; command must become coercion; and an enforced collectivism must take the place of the free co-operation of liberalism.

Yet there is one way of planning the economic system which is so simple and so effective that naturally all planners ignore it. If a really honest group of economists were set up to plan our economic system, they would soon find that to do so use would have to be made of the fluctuating price level as a means of deciding what should and what should not be produced. And so that this indicator should work properly they would have to do away with all obstructions to trade whatsoever. When they had done that there would be no need for their continued existence and they could resign amidst the plaudits of the people.

The demand for a State planned economy under an Economic General Staff amounts to one of two alternatives. It is either a demand for totalitarianism or it is a demand for the continuance of that State interference in economic affairs which caused so much disaster during the inter-war period. It means the intensification in Great Britain of that false economic philosophy which has destroyed civilisation in so many of the once liberal states of Europe.

Yours, etc.,

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Primo de Rivera's ignorance of economics gave rise to a number of anecdotes: on one occasion his finance minister had adopted the device of producing two simultaneous budgets—one ordinary and the other extraordinary; on the second figured the huge expenditure on public works and upon the Seville and Barcelona Exhibitions, which was labelled "reproductive after a long period." As a result of this the deficit usual in Spanish budgets disappeared. Primo was so delighted by this feat of wizardry that to celebrate it he would redeem all the mattresses which the poor had pawned in the State pawnshops. — *The Spanish Labyrinth* (Cambridge University Press), by Gerald Brenan.