

# Free Enterprise and Socialism

Although the doctrine and programme of socialism have been defined in innumerable textbooks, of exhaustive and exhausting length, it is safe to say that very few people possess a clear picture of what modern socialism involves. Nevertheless, the textbooks are there, for reference by anyone who wishes to find out. Books devoted to the nature and philosophy of free enterprise are, on the other hand, inordinately hard to come by, and many people who think they know what the free enterprise system is, might find it very difficult to define their ideas with any degree of exactitude.

Herein lies one of the greatest weaknesses of contemporary political discussion, for it is obviously impossible to conduct a profitable argument, that is an argument likely to lead to any conclusions of value, unless we are perfectly clear what it is we are arguing about. One of the most pressing needs of the moment is indeed to rescue current political controversy from the confusing bog of slogans and generalisations in which it is submerged, by giving it a more precise and scientific content. This task is of course far too large to be attempted in a single article. All that is proposed here is to deal, more or less at random, with a few points that spring most readily to mind.

## SURFACE SIMILARITIES

From a surface viewpoint (but only from a surface viewpoint) there are many similarities between the moderate socialist and the modern progressive supporter of free enterprise. And from the standpoint of practical politics these are really the only two schools of thought worthy of consideration, for neither the views of the reactionary Right nor those of the revolutionary Left command the support of other than an infinitesimal proportion of the Australian people.

In the first place both the moderate socialist and the progressive private enterpriser recognise the need of a large measure of social security. (Would any political party be prepared today to reduce child endowment, or old-age pensions, or unemployment or sickness benefits, by so much as 1/-,

except under the pressure of inescapable economic circumstance?). Both support the doctrine of full or high employment. Both, too, would recognise that neither full employment nor social security can be achieved without some degree of governmental control and planning. Both would concede the desirability of equalising opportunities so that no one of character and talent is prevented, for economic reasons, from realising his native gifts and from making his full contribution to the life of the state.\* Both would wish to see the worker progress to a more direct and intelligent participation in the conduct of industry. Nor would the practical socialist of moderate complexion wish to do away altogether with private business enterprise. On the contrary he would, and frequently does, recognise that over a large area of economic activity state ownership would be both politically impracticable and economically unsound. He would of course venture much further into the field of nationalisation than his opponent, but even the progressive supporter of free enterprise has shown that he has no objection to state ownership where its virtues over private ownership can be demonstrated beyond all doubt. He does not oppose state ownership in principle; all he asks is that in any particular field to which it is proposed to extend it, the balance of advantage in its favour must be indisputable.

#### MORE APPARENT THAN REAL

If, then, there are these close similarities between modern progressive private enterprise and moderate socialism, what is all the political hue and cry about? Are we perhaps exciting ourselves over little, or even nothing?

*The answer to these questions is of course that the likenesses are more apparent than real, that once we begin to dig beneath the surface acute and fundamental collisions are revealed.* The criticism that can justly be made of modern political controversy is not that we are making much ado about nothing; it is that we are very often unclear as to exactly what it is we are quarrelling about.

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\*Although the socialist in his tendency to reduce all runners to the pace of the slowest, shows that in practice he is not entirely prepared to accept the logical consequences of an equal start in the race. Where is the point in starting all the runners off the same mark if the fastest are to be loaded with weights during the course of the race. It is not merely opportunities that the socialist wishes to equalise, but men themselves.

## SOCIAL SECURITY

Take, for instance, social security! There is no question that the modern ideas of social security are supported by socialists and non-socialists alike. Where then is the difference? It lies partly in the mental approach. The socialist sets up, or tends to set up, economic security as an ideal, as an end in itself. And so, admittedly, it must seem to those people — and they are many — who have experienced the privations and terrors of insecurity. Naturally enough it is from this class of people that support for the socialist doctrine mainly springs. Nevertheless, on any rational view, the socialist conception of security, as an end in itself, is a very dangerous one. Treated in that way, security must inevitably lead to an indolent, flabby and decadent society. We need a more virile conception:

“How dull it is to pause, to make an end,  
To rust unburnish’d, not to shine in use!  
As tho’ to breathe were life.”\*

The non-socialist, therefore, while fully admitting the desirability of an assured minimum income for all citizens, rightly refuses to regard it as more than a means to an end. It is a necessary adjunct to “the good life,” but it is not in itself “the good life.” The achievement of “the good life” still depends on self-help and personal effort. Social security is worthwhile only insofar as it provides a foundation for hard work and hard thought. The non-socialist’s view of social security would coincide then with that so pregnantly expressed by Mr. Churchill — that security should be regarded not as a sofa, but as a springboard.

There is, too, another difference between the socialist and the non-socialist attitude to social security. The socialist would finance it mainly, almost wholly, by heavy taxation on the better-off. The non-socialist would finance it, at least partly, by direct contributions from all who are able to contribute and who stand to derive some benefit from it. He would justify this course on the ground that only if the individual directly contributes to the provision of his own security

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\* From Tennyson's "Ulysses."

can he really learn to appreciate it, and really be made to grasp the fact that true economic security depends upon his own sacrifice and effort.

### WHY SHOULD PRIVATE ENTERPRISE BE DISTURBED?

The most significant differences between free enterprise and socialism, however, begin to emerge when we consider private business itself. It is true, as has already been pointed out, that the socialist, while going much further in the direction of state ownership than the non-socialist, would, in the foreseeable future, be compelled for practical political reasons to leave a large area of activity to be conducted by individual enterprise. This is indeed admitted in all responsible socialist textbooks. Why then should the supporter of free enterprise be unduly disturbed?

There is good reason why he should, and the reason is that the traditional socialist attitude is one of open and unalloyed hostility to private business. If the socialist accepts it, he does so only because there is no immediate practical alternative. The fact however that he may feel compelled to live under the same roof as free enterprise, does not make him like it any more. His historic prejudices and his suspicion of private business mean that he will not be particularly concerned to encourage it and assist it to work effectively. In fact quite the contrary! His natural political inclinations will tend to make him see that it does not work too well, so that his own preconceptions will be confirmed, and so that he will be in a position to say to other people "I told you so."

From this fact springs one of the great weaknesses of the socialist economy—a weakness, moreover, which is already very evident in those countries under socialist governments. It is difficult to imagine that even under socialism less than say 50 per cent. of economic activity would need to be conducted through free enterprise. Yet this section of the economy would not operate efficiently because of political hostility and suspicion and because socialist policy would be almost deliberately concerned to see that it was not over-successful. But if free enterprise is to continue to form a large part of our economy, even under socialism, then surely it is

only the merest commonsense to create and maintain the conditions under which it will work most effectively. The natural tendency of the socialist however will be to see that those conditions are not created.

The difference between the socialist and non-socialist approach to free enterprise is however much more than a difference of attitude. Under socialism free enterprise would be compelled to adjust itself to the socialist plan. It would in all its activities be under the direct supervision and control of the state to ensure that it did so conform. The businessman would necessarily cease to be a free agent—he would become, in a sense, a servant of the government. Private enterprise would still be “private” in that the means of production would be privately-owned, but it would certainly not be “free” enterprise, and it is highly doubtful whether it would be “enterprising.” The outward forms of free enterprise would remain, but the source of its motive power would have been removed.

#### CRUX OF SOCIALIST DOCTRINE

The crux of socialist doctrine does not lie, as many people appear to think, in public ownership! It lies in the conception of public control, in the deliberate planning and supervision of all economic resources by the state to purposes decreed by the state. Public ownership or nationalisation is only one of the means to the end of state planning. And in practice the “state” means a few hundred government officials.

It is at this point that the fundamental political difference between free enterprise and socialism emerges. Free enterprise by its very nature involves a wide diffusion and spread of power through the community. It gives to the individual members of the community in their capacity as property-holders the power to decide how their property shall be used. It gives to the individual members of the community in their capacity as producers the power to decide what shall be produced and how it shall be produced. It gives to individual members of the community in their capacity as consumers the power to decide what they shall purchase with their incomes and in what quantities. The wishes of the consumer

are conveyed to the producer through the workings of the free price mechanism. Socialism works through interferences and controls over this mechanism. Under socialism the state decides the kinds and quantities of things to be produced and therefore the things that shall be consumed. *Under free enterprise, the balance of economic power resides with the consumers who can be numbered in millions; in the private enterprise kingdom, the consumer is sovereign. Under socialism the balance of economic power resides with the state, which means a few hundred or, at the most, a few thousand officials; in the socialist kingdom, the state is sovereign.*

#### A VAST CONCENTRATION OF POWER

Socialism therefore involves a vast concentration of authority and power in the state, and every large movement towards socialisation necessarily takes *some* power away from the private individual and gives *some* additional power to state officials.

The fundamental objective and inspiration of historic socialism has been to bring about a more equal distribution of property and wealth. But the real practical import of socialism does not consist in the equal distribution of wealth so much as in the unequal distribution of power. In fact it is perfectly conceivable that measures to bring about greater equalisation in the ownership of property and in incomes could be achieved without resort to any of the main measures proposed by the modern socialist.

Socialism professes to be in the interests of the *many* and the socialist accuses the free enterprise system of being in the interests of the *few*. Actually it is the other way round. Socialism takes power from the many and concentrates it in the hands of the few. Free enterprise, despite its defects in the past, has involved a wide spread of ownership and power

through the community. There have been of course and still are great concentrations of power within the free enterprise system, but modern conceptions of progressive liberal legislation are designed to modify this and to bring about an even greater diffusion of economic and political power through the community than at present exists. This process is in direct contrast to socialist policy. Socialism accuses free enterprise of producing a monopoly of power in the hands of a few. It proposes to correct this by bringing about an even greater concentration of power.

It is between these two contrasting processes that the peoples of the British democracies will have eventually to decide. *The state cannot indulge in virtually unlimited planning, on the socialist model, without virtually unlimited power to plan. If the community decides for socialism—and we mean here moderate socialism—it decides for a limitation and reduction of its own power in favour of a great extension of the power of the state. There is no escape from that. You cannot have one without the other.*

#### MORE THAN A DIFFERENCE IN PACE

It has been said that the difference between free enterprise and the planned economy, or between liberalism and socialism, is merely one of pace; in other words that the modern democratic community is moving inexorably toward a socialist or quasi-socialist state, and that every major political or economic change just amounts to one step nearer to that goal; that all change is in the direction of socialism and that the main political function of the non-socialist is just to put a brake on this process, so as to ensure that it takes place by gradual, evolutionary, almost imperceptible, steps rather than by a drastic revolutionary overturn of existing social foundations. This view, or something very close to it, has been stated by no less a personage than Sir John Anderson, a leading member of the British Conservative Party.

If this is correct—and the theme of this article directly contradicts it—then all the cards are stacked in favour of the socialist. And indeed part of the great strength and appeal of socialism in recent years has derived from this fact—that it has a positive aim, a definite goal to work towards, that it implies a dissatisfaction with things as they are, and belief that they can be made to work better.

Against this, the supporters of free enterprise too often allow themselves to be placed in the position of appearing to want to maintain the status quo, or to be in opposition to most forms of change, to lack a definite objective, to hold in other words a doctrine of negation.

Until this is altered private enterprise will remain in a very precarious state. For the world cannot stand still. Change is of the order of life. The job of private enterprise, *as most of its far-thinking advocates recognise*, is not to prevent political and social change, but to advocate and further change—in the right direction. And that direction is, in the main, the opposite way from the socialist destination.

