



FREE ENTERPRISE — Two Books

BOOKS taking for their central theme the subject of "free enterprise" are rather rare. Thus it is quite an event in the arena of economic controversy when they make an appearance.

Two have come to our notice in recent months. Both, as one might guess, are written by Americans. One, "A Creed for Free Enterprise", is by a leading figure in American heavy industry—Clarence B. Randall, the President of the Inland Steel Company. The other, "Capitalism", is by an economist of high distinction, David McCord Wright, Professor of Economics at the University of Virginia—an associate worker of one of the greatest of modern economists, the late Joseph Schumpeter.

"A Creed for Free Enterprise" is a personal philosophy rather than a scientific analysis—an affirmation of the beliefs of the author distilled from a long and successful business experience. It is racy and easy to read. "Capitalism," on the other hand, is subtle, analytical and highly technical, often profound, but, given the determination, the intelligent layman should be able to follow the main course of its sometimes intricate reasoning. Although differing widely in method, the two books have at least one thing in common—both amount to a defence and justification of the free enterprise system and express a faith, if a somewhat qualified one, in its future.

Their own Enemies.

Both writers are perfectly satisfied with the intrinsic merits of the system. But they are somewhat doubtful whether businessmen, taken as a whole, are themselves sufficiently wide awake to the conditions necessary if the system is to survive. Take Wright: "It is my sincere conviction that the capitalists themselves are frequently the greatest enemies of their own system. There is, for example, a persistent tendency to recur to die-hard

financial orthodoxy." Here the writer no doubt has in mind the unyielding opposition of some sections of American business to the concept of "deficit financing". He suggests also that the American businessman is more seriously infected with socialist ideas of planned security than he realises. "We cannot tell the people of other countries", he writes, "that the protection of economic vested interests will inevitably cut off the progress of their society if we insist on protecting our own vested interests ourselves." With a flash of dogmatism—rare and unexpected in one in whom the scientific conscience is so pronounced—he adds: "The American tariff makes no sense whatever in the light of the perpetuation of capitalism or the future development of the world". Again, he accuses Americans of adopting an indiscriminating attitude towards the rights of private property. He points out that property rights obtained within the framework of the American way of life are a very different thing from ownership that may be the fruits of "a thousand years of feudal stagnation". "We can scarcely claim to be the forerunners of democracy if all that we are going to do is to underwrite the results of aristocratic privilege."

Clarence Randall also has his bone to pick with the businessman. He charges him with being too complacent and inactive. If business is misunderstood and undervalued by the public, it is the businessman himself who is at fault. "It is not the fault of the way of life we represent. Actually the free enterprise method of production, carried on within the political climate of democratic freedom, is the social system which has brought the highest degree of welfare to the most people. We know that, but can't say it. Our public is told about business by professors and commentators and politicians and preachers and labour leaders but seldom by the men who know

most about it, the businessmen themselves."

Accordingly, Clarence Randall wants businessmen to do a great deal more personal thinking about the wider problems of the economy and of society generally. "We easily convince ourselves that we are making great efforts when we measure ourselves by the number of engagements we keep, people we see, and reports we read, but, actually, the thing business needs most today is an occasional quiet hour for the boss. To reflect before doing may be more important than the doing, but as executives we are much happier doing than reflecting." And he wants the businessman to devote some of his thinking to gaining a proper understanding and just evaluation of the system in which he believes. "Free enterprise," he writes, "is our favourite theme on those rare occasions when we talk; no banquet would be complete without sonorous phrases in its praise, our advertisements proclaim it by word and picture; yet, actually, who among us so comprehends its significance that he can persuade an honest sceptic of its virtues?" And yet he says the free enterprise "record of performance is magnificent".

Thus, from two very different perspectives, the economist from his secluded tower of thought, the businessman from his busy executive's chair, arrive at a similar conclusion:—The future of free enterprise will be better assured if businessmen themselves take the trouble to acquire a greater insight into the system in which they believe. Professor Wright's book would itself be an invaluable aid toward this understanding.

The Difficulties of Persuasion.

Professor Wright has no illusions about the extreme difficulties confronting the businessman or anyone else who sets out on the task of persuading people to support the free enterprise way. For instance, two key groups who present an especially difficult problem are the rank

and file trade unionists and the intellectuals—the first because their thought on economic problems tends to be dominated by trade union leaders who often find it to their personal interest to isolate their rank and file from outside thought as much as possible. "A constant stream of vilification and misrepresentation is poured forth in their organs and all contrary suggestions are ignored. Any doubts, however friendly or valid, are treated as an attack."

Then there is the large body of intellectuals to whom it has become a custom to blame everything on to the businessmen. "If we are poor, it is because of the businessman; if there is war, it is because of the businessman; if democratic decisions are sometimes foolish, it is because of the businessman; if we have unemployment, it is because of the businessman; if we have waste, it is because of the businessman; if we have inflation it is because of the businessman; if we have deflation, it is because of the businessman." Ten years ago this withering piece of irony might have been used at the expense of the intellectuals of this country, without doing them a grave injustice. Today the attitude of intellectual circles to the businessmen is tempered with a little more tolerance.

What, then, has free enterprise to offer? What are its special virtues? And are these virtues sufficient to outweigh any shortcomings?

"The Cycle Problem Far Transcends Mere Capitalism."

Professor Wright puts his emphasis on growth and progress. It is in its potentiality for effecting rapid improvements to man's material condition, as shown by its past record and its present achievements in North America, that free enterprise must base its claim for the community's support. He is not so hypocritical, or unscientific, as to pretend that progress of this kind can be combined with perfect security, either for the busi-

nessman or for the worker. Progress means change and change must bring with it some degree of instability. Some businesses will decline and fall, some workers will lose their jobs and be faced with the necessity of finding others. Perfect job security is attainable only in the theoretically perfect stationary state—or in jail. A socialist society would be confronted with this problem of progress and change equally as much as a capitalist one. If it endeavoured to encourage progress and growth it would be faced with the same instabilities that occur under free enterprise. "The cycle problem far transcends mere capitalism."

"Definitely", says Professor Wright, "we cannot give perfect stability and still retain that reasonable degree of economic freedom and decentralization upon which, as we have seen, both growth and political democracy depend. On the other hand", (and here is the important point), "we do have easily accessible and well-known techniques whereby it is quite possible, economically, to say that there need never be a severe depression again". But will we be allowed to use these techniques, or will politics, pressure groups and ignorant prejudice prevent their use? As Professor Wright says, the fundamental problem of economic stability is no longer economic, but ideological. And he states some of the ideological dilemmas: "Can the people be persuaded to permit adequate risk incentives? Can the unions be persuaded to restrain their wage demands during a depression and still more during an inflation?" Will the businessman in devising policy, give sufficient weight to the broad, insistent demands of the national interest? And so on!

The problems of economic instability are now essentially political rather than economic. This needs to be understood.

The Competitive Discipline.

Both Professor Wright and Clarence Randall list among the vital ingredients of free enterprise the discipline of com-

petition. Clarence Randall sees in competition the necessary safeguard of the public interest. "No modern nation in this socially-conscious world will long permit selfishness to go unrestrained, and if it is not held in check by competition because the free market has been interfered with, the people will assert themselves and take away the privileges of free enterprise by collective action." He contends that the nationalisation of the British steel industry was made easy by the fact that the leaders of the industry had tended to reject "price competition".

Professor Wright points out that competition is the means by which individual opportunity is preserved and fostered: "Because of competition and the fact that industry is not organised under a single hierarchy of authorities, men have a chance to transfer from one line to another. This means that they are not forever at the mercy of a single directorate or group of associates. Also, because of competition a man with a new idea . . . has the chance to get it introduced without asking the consent of those already in power."

"The Most Productive System."

In spite of the difficulties in the way, Professor Wright is not without hope in the future of free enterprise.

"At least we can say there is a chance, a chance that the people may wake up in time. After all, in the light of present world conditions, the one fundamental thing to realise is that capitalism once more makes sense economically. It is the most productive system, the one which gives the greatest opportunity, and the one which most curbs State power." "if we keep in mind the values of opportunity, competition, democracy, productivity, then it is our capitalist society which is the truly revolutionary one—the only society which offers true hope to the masses for release from the long nightmares of tyranny."

Anyone prepared to take the trouble to read these two books will put them down with a deeper understanding of the free enterprise system and of the basic political conflicts of the present day.