

AIMS OF INDUSTRY

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INDUSTRY—
THE KEY TO
NATIONAL
SECURITY

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"Beware of a Twice-Beaten Germany," etc.)

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INDUSTRY—THE KEY TO NATIONAL SECURITY.

DEFENCE, as Adam Smith pointed out, is of much more importance than opulence. That dictum is always true. In time of war, of course, it is also obvious, and everybody accepts its implications. In peace-time, however, many people are apt to forget it and even to act as though it were not true. And when a nation forgets it, the consequences may be grave. If the leaders of the U.S.S.R., for example, had not grasped the truth of that dictum and shaped their policy accordingly in the years immediately preceding this war, Russia would not have been able to hurl back Germany's armed forces, as she is doing so successfully.

But while defence will continue, even after our victory in this war, to be more important than opulence, there is no reason why this country should not pursue a policy designed to achieve as much opulence as possible, compatible with adequate defence. But if we are to achieve a moderate opulence in addition to adequate defence, then it is very necessary to have a clear understanding as to what constitutes defence for a country situated as Great Britain is. This is all the more essential because some of the policies now being discussed and advocated, while having a superficial appearance of being calculated to contribute to defence, may, on fuller examination, and probably would in practice, prove to be a source of weakness should we be involved in another world war.

I must make it clear that I am not referring to proposals for any kind of international political organisation for the preservation of peace, nor even to any international arrangements with regard to the use of armed forces in another emergency. I am concerned now with defence solely from the point of view of this country, or rather of our own resources for prosecuting a war. And it is just as well to realise the fact that the defence of this country will always rest in the last resort upon our own shoulders, even though that defence may be part of a concerted action by liberty-loving countries for the preservation of freedom in the world.

There are, of course, many factors in national defence. The most fundamental and vital is that of man-power, and more particularly the age-composition of the population. For, as C. S. Forester says in *The Ship*, "war in the last analysis is fought by men." Man-power, however, is a long-term factor, and one which, because of its inherent nature, is not directly and immediately (if at all) within the control of Government. Nevertheless, this demographic factor is one to which every Government in this country during the next half-century should be fully alive.

Of the other factors in national defence, the two most important are food and manufacturing industry, and it is with these that I propose to deal.

Much is being said and written to-day about the possibility and even the desirability of making this country self-sufficient in the matter of food, and policies having that object are being put forward. In fact, some people go so far as to assert confidently that, with mechanisation and scientific management, the soil of the United Kingdom could easily produce all the foodstuffs necessary for maintaining our population of 46,000,000 with a high level of nutrition. Others, such as Colonel Walter Elliot, take the view that modern technical development makes autarky the natural system of the twentieth-century and renders international trade entirely unnecessary. Such theories are highly interesting and certainly provocative of thought. But the more one studies the essential and basic facts of Britain's economic position, the more one realises that a policy of autarky would mean, to put it mildly, a great fall in our standard of living, while its ultimate effect would be that Great Britain would cease to be a Great Power, and would be completely at the mercy of a resurgent Germany.

II. THE FOOD FACTOR.

Let us consider this country's food-producing capacity in relation to its population. It is impossible to praise too highly the way in which British farmers and farm labourers have not merely met but even exceeded the demands made upon them by the Government during the war. The war-time increase in the production of food from our own soil has been truly wonderful; indeed, it has been almost miraculous. That is apparent to anyone who has seen the transformation of the countryside. And it has been officially confirmed by the Ministry of Agriculture, which issued early in 1943 a statistical statement showing the success of the war-time system of husbandry, under which, measured in terms of calories, the estimated increase in the net output from the soil of the United Kingdom was 70 per cent. over the pre-war level. Among other facts, the statement showed that there had been an increase of 65.7 per cent. in the acreage devoted to cereals. It also showed that, notwithstanding the fall in imported feeding-stuffs from the pre-war figure of 8,500,000 tons to 1,300,000 tons in 1942-43, the total number of cattle had increased by 4.6 per cent. It must be noted, on the other hand, that our sheep, pig and commercial poultry stocks declined, respectively, by 17.8, 51.9 and 24.2 per cent. The statement also recorded the fact that we produced from home-grown beet 35 per cent. of our total sugar requirements—sufficient to provide the domestic sugar ration—compared with 23 per cent. in 1939. And in 1942 we had nearly three times as many tractors in use as before the war; the number of allotments had nearly doubled since the war, and the number of private gardens cultivated for vegetables was estimated to have risen from 3,000,000 to 5,000,000.

This is a highly satisfactory record of expansion, and the Ministry

of Agriculture expected a further improvement in 1943, particularly in the output of wheat, barley and potatoes.

But, even so, does the Ministry's statement afford any evidence that Britain could, in peace-time, become self-sufficient in foodstuffs? Does it provide any valid reason for attempting to make this country self-sufficient? A careful analysis of the statement, and a little imagination will, I think, make it abundantly clear that it provides no such evidence and furnishes no such reason. Of course, if we were prepared to put up in peace-time with an even lower scale of rations than we have now in war-time, then autarky, from that point of view, might be endured—for a while. Incidentally, under a system of autarky, we should, of course, have no tea, or coffee, or chocolates, or any raisins, oranges, pineapples, bananas or grapefruit!

Moreover, it would be foolish to overlook the cost of the war-time expansion of British agriculture. As *The Economist* has pointed out: "This has been substantial; last December the Ministry of Agriculture's index of farm prices (including subsidies) was 80 per cent. above the average for 1938, an increase double that for all consumers' goods and services. Undoubtedly the price is not too high in war-time, for what is being bought is security against starvation. But the criteria will be different when peace returns."

It might be possible after the war still further to increase the output of certain basic foodstuffs in this country. There is, however, an inescapable limit to such an increase (because of soil exhaustion, to mention only one reason), and that limit, as every informed and responsible person must recognise, is such that a policy of autarky in peace-time would mean, among other things, a degree of austerity far more severe than anything we have known or are likely to experience in this war. While from the point of view of our continuing to be a Great Power it would be a calamity of the first magnitude.

The rejection of a policy of autarky does not necessarily mean that we should not adopt measures designed to promote a reasonable permanent peace-time increase in home-grown foodstuffs and the establishment of British agriculture on a stable, healthy, better-balanced and more prosperous basis. Apart from being a fair reward to the farming community for the vital part which it is playing in the war economy, such measures will, in any case, be essential if only in order to counteract in some measure our greatly weakened ability, during the immediate post-war years, to pay for the normal volume of imports of foodstuffs and raw materials, because of the loss of old export markets and of a great part of our overseas investments. Moreover, a large increase in the production of home-grown "protective" foods, such as milk and milk products, eggs, fruit, and vegetables, will be necessary if we are to secure improved nutrition.

But it is being urged in many quarters that we must at all costs

so increase the permanent output of staple foodstuffs from our own soil that we shall never again be in danger of starvation in the event of another world war. Such a plea is understandable in present circumstances, and it is surely only elementary prudence to take fully into account the dangers involved if we are to continue to be largely dependent upon supplies from overseas. But I would venture to suggest that those dangers can be guarded against by a method much more sensible and practical than by attempting to make Britain a self-sufficient country.

It will be recalled that, during the year preceding this war, the Government purchased and accumulated imported stocks of certain foodstuffs, including sugar. In my book, *Prelude to Peace*,¹ I suggested that after the war (during, say, the first ten or fifteen years) the Government should continue that policy and purchase from overseas certain staple cereals and sugar (which are particularly suitable for long storage) until a standard store has been accumulated sufficient to last, in the event of another world war, for a period of, say, three to five years. After the first year, a proportion of the accumulated store could periodically be released for immediate consumption, and the store not only replenished but increased by fresh purchases from overseas at a rate sufficient to bring the store up to the standard within the fixed period of time. Thereafter, it could be replenished by a volume equivalent to that periodically released for immediate consumption. The purchase price and expense of storage, etc., should be regarded as a necessary part of the cost of national defence. If that were done, the danger of starvation in the event of another emergency would be largely if not wholly eliminated, for British agriculture could easily provide what would be required in addition to ensure war-time rations at least equivalent to those we now enjoy. Moreover, such a scheme would lessen the demand in war-time for shipping for imported foodstuffs.²

III. INDUSTRY'S PART.

So much for the factor of food. The next factor to consider is that of manufacturing industry. Important though food is as a factor in national defence, manufacturing industry is still more important. In fact, it is the key to national security. Without a high manufacturing capacity, and more particularly in engineering, Britain could not preserve her national independence, much less play an effective part in protecting the British Commonwealth and Empire. Even in the matter of the production of food

1.—Hutchinsons.

2.—It has been calculated that, if the money spent on silos is regarded as capital expenditure, the cost of storing a year's wheat requirements (about 120 million cwt.) estimated at about £4 million would be less than is spent each year on increasing the home output by only ten million cwt. (Keith A. H. Murray, "Food Supplies in Peace and War," Lloyds Bank Limited Monthly Review, October, 1938, p. 491.)

from our own soil, engineering is of vital importance. Without engineering there would be no farm tractors, and without tractors there would not be the remotest possibility of the available agricultural land in Great Britain growing a sufficient quantity of essential food-stuffs even to keep its present population alive, much less to maintain it in a condition of health. Our food rations in this war could not be maintained but for our engineers. Nor would Great Britain in any future war, even with a store of staple cereals and sugar, be able to keep its population alive without engineers.

But the part played by manufacturing industry in the production of food constitutes only a minor part of its importance as a factor in national defence. The simple truth is that we became a Great Power through our manufacturing industry. Without her industries, Britain would have had no Royal Navy, no Merchant Navy, no share in international trade, and no Empire; and without Britain's manufacturing industry there would have been no Pax Britannica, which was the greatest contribution to the peace of the world for a century preceding the first World War.

No more than a moment's reflection is necessary in order to realise that it is only by continuing to be a great manufacturing nation that Britain can continue to be a Great Power. In fact, our very national existence depends upon the maintenance, indeed, upon the expansion and still greater efficiency of our industries.

While the United Nations are now resolved to co-operate in measures designed to prevent another world war, statesmanship demands that we must be prepared against the possibility of those measures failing in their object. As Mr. Winston Churchill said on his return to this country after the signing of the Atlantic Charter: "The United States and Great Britain do not now assume that there will never be any more war again." He went on to say, however, that the signatories to the Charter were determined to do their utmost to prevent the renewal of war. National defence, therefore, will continue to be the first duty and responsibility of the British Government in the future, and it is incumbent on the British people to grasp the fact that modern war has become, and will in the future become even more, a matter primarily for the inventor, the scientist and the engineer.

Even if it were possible for Great Britain to become self-sufficient to the highest degree in the matter of food, that in itself would not preserve our country from utter defeat in another war with a highly industrialised Germany. In fact, even if we had been able to grow all the foodstuffs we required before this war, that in itself would not have enabled us to recover so quickly and so marvellously as we did after Dunkirk. That miraculous recovery was due to the fact that we had a prodigious mechanical industry which our people could exploit in the grave emergency.

The vital and far-reaching implications of this fact are not as clearly

and thoroughly understood as they should be. As Professor D. W. Brogan says in his book, *The English People*, industry is "the basic fact about English power in peace and war." He enlarges on that fact in vivid language:

"It is because England 'neglected her farming,' that is, did not make the support of an artificially enlarged agricultural population a charge on her economy, that she was able to resist Hitler. Whatever may have been the case a generation ago, victory in war to-day goes to the countries, not with a high proportion of bold peasants, but with a high proportion of machine-tenders. It is true that a country like England which follows this policy runs the risk of being starved. But the alternative is to incur the certainty of being conquered. Only a highly industrialised, unpicturesque, urbanised country, with its national tradition thoroughly unagricultural, could in the desperate crisis of 1940 have held out and been ready, in the next year, to help to arm Russia, to despatch and maintain a great army in Egypt, and to wage war on sea and air on the other great industrial nation of Europe which had made machines do the work of Pomeranian grenadiers. If this is remembered (and the English make it difficult to remember), the miracle of English resistance and of English power is made comprehensible. England and Europe were saved by the men who lived in dull city streets and worked at dull mechanical jobs."

Contrast the economic structure of Great Britain with that of France, which was, probably down to the present war, to the extent of about 50 per cent., an agricultural country. She had a "balanced economy." As Pierre Maillaud points out in his book, *France*: "Although in 1931 the number of land workers was slightly less than that of persons employed in trade and industry (the ratio was about four to five), the people actually leading a rural or semi-rural life were still a majority by a very narrow margin. Between land and urban population, the balance was on the whole maintained." And Pierre Maillaud, like Professor Brogan, sees the advantage which Great Britain had after Dunkirk, for he says: "Had the French found themselves in the same predicament as the British in June 1940, they could not have drawn from their industrial equipment and skilled labour, through a mere process of technical adaptation, what the British were able to draw from their mechanical industries in terms of planes and other weapons in anything like so short a time."

The conclusion is obvious. It is that our national security depends upon our being predominantly an industrial country. This is the fundamental fact which the British people must never forget. Of course, this is a tragedy for the autarkists. According to an English scientist of the last century, the definition of tragedy is "a theory killed by a fact." The fact of our recovery after Dunkirk kills the theory of autarky stone dead. It is obvious that the industrial capacity of this country necessary for its sure defence, let alone the defence

of the British Empire, could not be maintained if it had only the internal market to absorb its output. Here again the conclusion is clear: we must, for the sake of our future security, have a large share of international trade. "The relative industrial weakness of France amongst the Great Powers," says Pierre Maillaud, "is easily explained: Industry in France has progressed according to the needs of the internal market and not as in England, where to export is vital. In peace-time, apart from the equipment and supply of her army, France was under no obligation to produce more than the requirements of her internal market. She never attempted to export on such a scale as Germany or England. And industrial development which is not the result of a commanding necessity seldom attains its highest degree of expansion and efficiency."

Turning to the U.S.S.R., we get an even clearer idea of the magnitude of Great Britain's share in and dependence upon overseas trade. During the two years preceding the present war, the international trade per annum per head in the U.S.S.R. was slightly under 1.92 gold dollars, whereas in the same period the corresponding figure for Great Britain was 82.5 gold dollars—over 40 times greater than that of Russia's.

Furthermore, the existence of the Royal Navy depends upon our international trade, for two special reasons. The first is that without international trade we could not maintain a Merchant Navy, "the great pool on which the Navy draws for men, for ships, for technical resources of all kinds." And the second reason is that the change over from coal to oil has made the fleet dependent upon a foreign source of power. International trade is also essential for the efficiency and effectiveness of the Royal Air Force, for our planes could not attain the necessary speed without high octane, much of which has to be imported.

As we are not primarily an agricultural country, we have no agricultural products to export to pay for the oil we must import. Without the exportable products of our industries we could not obtain the power for our Navy and Air Force.

Let us now recall one or two striking facts arising out of Great Britain's rise as a great industrial country. First of all, we have attained a standard of living for our people unequalled by that of any other great nation in the world, except perhaps by that of the United States. Secondly, as Sir William Beveridge has pointed out in his Report, Great Britain has "a system of social security better on the whole than can be found in almost any other country." How our Social Services have expanded is seen in the following table (given by the Chancellor of the Exchequer, in the House of Commons, on June 22, 1943), which shows the total expenditure (other than expenditure out of loans or capital receipts) on these Services at different periods:—

	£
1900	36,010,000
1910	62,817,000
1923	338,319,000
1933	479,345,000
1940	507,756,000

Thirdly, when this war started, Great Britain had overseas investments amounting to some £3,000,000,000. Those investments alone provided this country with an annual income of £200,000,000, which came to these shores mainly in the form of cheap food for the sustenance of the workers in crowded cities, such as Birmingham, Glasgow and Leeds, and boroughs like Limehouse and Hackney. (As Lord Woolton pointed out when he was Minister of Food: "Before the war we were a well-fed, even a luxuriously fed, people. We did not realise how well-fed we were, thanks to a great merchant navy and the science of refrigeration.")

If the argument which has been outlined in the foregoing part of this pamphlet is sound, what are the conclusions to be drawn from it? There are three which are outstanding:

- (1) If Great Britain's industrial power declines, in fact, if it is not expanded and made still more efficient, then there will be a grave risk of this country's status as a free and independent state becoming more and more in jeopardy, and that risk will include the risk of the British Commonwealth and Empire disintegrating, and, consequently, of it ceasing to be a mighty bastion of freedom and civilisation in the world.
- (2) If it is recognised and accepted that Great Britain, in order to ensure her national security, must continue to be primarily an industrial country and to have a large international trade, then, while ensuring for British agriculture a healthier and more secure position, there must be no attempt to expand its place in the national economy to a degree which would endanger our essential industrial power.
- (3) **Our industrialists, including managers and manual workers; our scientists, our engineers and our merchants must realise to a fuller extent the importance of their function in the national economy: that while seeking individual benefit within legitimate limits, they must be more conscious of the fact that they are in a position of great and increasing responsibility—in fact, that upon them in the main depends, and will depend still more in the future, not only our standard of living, but also our future national safety and Britain's contribution to the preservation of freedom and peace in the world.**

IV. PRIVATE ENTERPRISE v. THE "PLANNERS."

Let us now set down some general reflections.

What was it that enabled this country to attain such a high standard of living for its citizens generally? Private enterprise. What was it that provided us with the means of financing our great system of Social Services? Private enterprise. What was it that made possible the investment of such huge sums of British savings in countries overseas? Private enterprise. What created our great Merchant Navy? Private enterprise. What gave Great Britain the industrial plant and organisation which enabled her to recover so quickly and marvellously after Dunkirk, and which to-day is producing such a gigantic quantity of arms and munitions of high-grade quality? Private enterprise. Or, to use the more correct term, Capitalism (a term unjustifiably brought into disrepute by Socialist propagandists).

In view of these vast and beneficent achievements, accompanied by the preservation of political and civil liberties and by an ever-widening justice, under the system of private enterprise, and of the lack of evidence that any other system could, especially for a country situated as Great Britain is, provide anything like a comparable measure of economic benefit, while preserving liberty and justice, would it not, to say the least of it, be running a grave risk to destroy that system or even substantially to change it?

To allow ourselves to be persuaded by the false argument that because Government control and the extensive suppression of private enterprise have been necessary in war-time, therefore, that policy should be continued in peace-time, would be unworthy of men possessed of ordinary commonsense. When a house is on fire, one does not hesitate to break down its doors, to smash its windows, and to risk the ruin of its furniture and carpets with water. The fire-brigade takes control, and the only thing that matters for the moment is to put out the fire as quickly as possible and save the lives of those in peril. But when the house has been saved from destruction, it does not follow that the best instrument for restoring the building and its contents is the fire-brigade!

To kill our economic system by a single act of public policy would, at any rate, be a deliberate choice. But to allow it to come to its "death by a thousand cuts" inflicted by bureaucrats would be clear proof that the British people had ceased to be vigilant; that they had permitted the octopus of totalitarianism imperceptibly to fasten its tentacles upon our country through neglect and indifference; that they had lost the love of liberty and the spirit of independence, of courage, and of adventure; in a word, that they had allowed their birthright to be filched from them.

There is probably no word in the English language so frequently used in public discussion to-day as the word "planning." The dictionary definition of the word is: the making of a scheme for accom-

plishing a purpose. In other words, it means foresight and organisation, or taking thought for to-morrow. In this sense everybody is a planner—more or less. And in a civilised society communal planning is both natural and essential, and nowhere has planning, in its dictionary sense, been more extensively or more effectively practised than in British industry and commerce. If the present use of the word had only its ordinary meaning, its prominence in print and speech to-day would have no special significance. The word, however, has acquired a new and altogether different meaning, especially for many of those who use it in connection with post-war policy. It now has a political and an economic meaning, for it is only a shorter expression for the terms "Planned Society" and "Planned Economy." "Planning" in this sense is, in fact, a popular euphemism for State Socialism, for Totalitarianism, for all-pervasive and unlimited state control.

It is desirable to consider the political and economic implications of "Planning" in its new connotation. Here are the views of one or two authorities which are well worth heeding. The first is Dr. Peter Drucker, who writes (in his book, *The Future of Industrial Man.*¹):

"'Planning' has become a catchword with a mythical meaning totally different from its ordinary dictionary definition. The panacea which is being advertised to-day under the misleading name of 'planning' is not a preparation for future events and contingencies. It is the abolition of all limitation on governmental power. The first step of the Planners would be to set up an omnipotent authority with unlimited power to regulate, control, and regiment everything in government and society The comprehensive centralised Planning advocated so widely to-day is first and last a despotism of a 'perfect' bureaucracy. The Planners themselves visualise their rule as benevolent and enlightened despotism. They refuse to see that all despotism must degenerate rapidly into rapacious, tyrannical oppression—precisely because it is unlimited, uncontrolled and uncontrollable. But even if a benevolent despotism were possible it would still be incompatible with freedom. Planning as a philosophy thus rests upon a denial of freedom and upon the demand for the absolute rule of a perfect élite."

Our next authority is the British Treasury itself. In a speech on March 20th, 1943, Mr. Ralph Assheton, Financial Secretary, said:

"We are constantly being told that we are fighting this war for freedom and for liberty. It would be a sorry thing for Englishmen to find that they had conquered the foreign foe only to find their freedom taken away from them by an excess of State interference and bureaucratic control at home. It is the fashion to suggest that the State should plan and make itself responsible for every aspect of human activity. This conception is, I believe,

1.—Heinemann.

a wholly false one. State planning leads inevitably to certain evils against which we in this country have fought hard for many hundreds of years. It leads to the evils of tyranny, bureaucracy, and monopoly."

Another authority is Dr. Wilhelm Röpke, Professor of Economics at the Graduate Institute of International Studies, Geneva, who writes in his book, *International Economic Disintegration*¹:

"A consistent policy of 'full employment' (one of the slogans of the Planners) would lead us gradually to economic collectivism and its inevitable counterpart of political and even cultural Totalitarianism. The external reactions to such a policy would have to be met by a water-tight system of exchange control and by planned regulation of foreign trade, and we would end up finally at the complete control of wages, prices, investments and consumption, a control which could not be made effective without concentration camps and all the other comforts of a totalitarian collectivist regime."

Our last authority to quote here is Mr. Herbert Agar, the well-known American publicist, who says in his book, *A Time for Greatness*²:

"There is one group, notable for its naiveté, which believes that democracy can do the over-all planning which is characteristic of the totalitarian states. Luckily this group is diminishing, for the clear experience of the post-depression world is that over-all planning must be accompanied by compulsion. And compulsion cannot take the form of semi-voluntary codes with a little governmental policing. If the over-all plan is to work (and once a nation is committed to it, it has *got* to work after a fashion, or the roof falls in), the compulsion must be complete in the Nazi or the Russian manner; jails and purges and secret police and all the bloody paraphernalia of tyranny."

"In the early days of the New Deal the American Congress passed the National Industrial Recovery Act, setting up a National Recovery Administration. This Administration, known as NRA, tried to 'plan' prosperity by planning the over-all production of the nation. Immediately the basic conflict between total planning and democratic freedom was made evident. NRA was a failure, not because Americans are incapable of planning as methodically as German, but because they are unwilling to enforce such plans in the only way possible. NRA was an attempt at voluntary over-all planning. It failed, but it was a useful lesson, teaching that an over-all plan for the production of a great industrial nation can only be administered with the help of ruthless force. The planners must not only coerce industry and commerce to follow the governmental blueprints, they must also coerce the public to take and use what is provided for it, and to take it at the price which has been fixed. . . The Americans,

were unwilling to use such methods, were unable to make the over-all plan work. NRA on a voluntary basis would not work. NRA with a little government pressure behind it would not work. NRA with enough authority to compel the observance of its codes would necessarily become a totalitarian state. Since no responsible people in America wished to create such a state, NRA was necessarily a failure. This appears to be one of the clearest lessons of the last ten years in Washington. Yet apparently the outside world has not paid much heed to the lesson."*

The propagandists of "Planning" for this country (themselves the deluded victims of a verbal tyranny) have persuaded themselves and would have the general public believe that the system of capitalism has been no system at all; that it has been unregulated, chaotic and anarchic. They are constantly saying that the economic system, under which this country while enjoying freedom has attained a standard of living almost without a parallel in the wide world, has been wholly unorganised, without thought and without foresight. There is no justification whatsoever for such an allegation. It is a pure fabrication. It is a myth deliberately fostered to serve the purposes of the Planners. As Dr. Peter Drucker has pointed out:

"As a political programme it ('Planning') rests upon a provably false assertion; that planning in social, political and economic matters is something new and revolutionary. The Planners assert that nineteenth-century society was anarchic without conscious planning and preparations, and that it trusted to luck and accidents. The claim that we have never before tried to shape our own destiny intelligently is the stock-in-trade of the Planners. Actually, the nineteenth century used planning—the proper planning—to an extraordinary extent and with the highest degree of intelligence and with the highest purpose. All the basic institutions of the mercantile society grew out of long, careful and deliberate preparation. The Gold Standard, for instance, was not the result of accidents but of years of laborious and exhaustive work. It was not anarchy but one of the finest precision machines ever designed."

When capitalism enjoyed the freedom of efficiency competition, and before Governments began extensively to interfere with its mechanism in the interests of national self-sufficiency and for other political reasons, industrialists and merchants could not only plan and organise intelligently and thoroughly, but were also able to make long-term plans, because there was confidence at home and in the international field, and because there was no cause for fearing unexpected and arbitrary state interference with the normal processes of trade or the intrusion in the field of commerce of extraneous factors.

Describing the effects of governmental interference with the process

* Sir Stafford Cripps has urged that the State should undertake the "over-all" planning of the economic life of Britain. ("The Times," January 31st, 1944).

1.—William Hodge, Glasgow.

2.—Eyre & Spottiswoode.

of trade and commerce during the inter-war period, Professor Röpke says:

"That most of this is in some way or another connected with 'planning' and glorified as such, is an example of that kind of involuntary humour in which our times are so rich. As everybody knows, the bitter truth is that the main effect of this entire development is to deprive world economy of stability, reliability and continuity. If we live now in a world where it has hardly become possible to plan more than a week ahead let us remember that this is what some people call with involuntary sarcasm 'the age of planning' . . . The new methods of commercial policy and the increased share of governments in handling or regulating international trade means growing 'politicalisation' of international economic relations. This, in turn, means less dependence on the laws of competitive supply and demand, which are largely calculable and (in a wide market) little subject to jerky movements, and more dependence on governmental whims, which are incalculable—especially in the absence of any well-defined principles of economic policy limiting the state's field of action—and given to sudden changes at any moment. This is what politicalisation of the economic process invariably means wherever it occurs, but it is nowhere more pronounced than in the field of international economic relations, which is where the dissolution of norms and principles, the anarchy of arbitrariness, the discontinuity and hand-to-mouth character of modern life are most conspicuous to-day, and where everybody without reluctance or consideration follows the fashionable motto: 'Do what you will.'"

Mr. Ralph Assheton, Financial Secretary to the Treasury, in the speech already quoted from, drew attention to the uncertainty created by "Planning."

"State planning," he said, "causes great uncertainty, and uncertainty is more damaging to trade and commerce than anything else. If traders and business men do not know what the plans of the State are going to be, they cannot make their own plans, and you may well find a situation in which millions of individual plans are held up waiting for a State plan which never matures. Such a situation leads to the gradual decline and decay of trade, which brings with it in its turn unemployment and poverty, misery and want."

While it has been necessary to emphasise the fact that the disintegration which developed in the economic sphere, both national and international, during the period between the two World Wars was not attributable to the inherent nature of capitalism, but to what Professor Röpke calls the "politicalisation" of economic relations, we must at the same time recognise that certain evils have grown up within the capitalist system itself. While some of these evils have been the result of defensive measures against the disrupting con-

sequences of "politicalisation," others have been due to shortsighted selfishness and an excessive desire for safety and protection. The recognition of these evils is a sound reason for improving our present economic system; it is no reason at all for destroying it and putting in its place another system which could not produce the equivalent in economic benefits, while involving the suppression of freedom and the regimentation of industry, of trade and of society itself. To ignore or to belittle the evils in the present stage of our economic system would be to play into the hands of the "Planners;" it would provide them with material which they would exploit to the uttermost. It rests with industrialists themselves voluntarily to put their own house in order, otherwise they may find it Blitzed by the "Planners."

Finally, it must also be recognised that modern developments make inevitable a greater degree of State regulation and direction in the economic sphere, and even of an extension of public ownership and control. Our economic policy, both in its national and its international aspects, must necessarily be so guided as to contribute not only to social welfare, but also to national security and to international stability. But while fully recognising and accepting that general principle, it seems eminently desirable that the State's field of action in industry and trade should be strictly defined; that that field should be limited to the minimum necessary for the application of the aforesaid general principle, and that that defined field should not be extended arbitrarily, but only after enquiry by an independent and impartial commission. In the vast area outside that limited field, enlightened competitive enterprise should function wholly free from direct control or interference by the State, but, in so far as may be necessary in the public interest, functioning under standard codes of conduct, some voluntarily adopted and others, probably, under legislative enactment.

There is nothing more imperative in connection with the formulation of our post-war economic policy than this scheduling, on the one hand, of the field of State action, and, on the other, of the field of private enterprise. If that could be assured, it would do more than anything else to give the confidence which is essential if industry and commerce are to flourish, and if we are to maintain a high level of productive employment.

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