

Thoughts on economics

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THE choice of a guiding economic policy to be adopted by any society at any given time has been strictly limited. It has been more or less confined to capitalism with its offshoot, the welfare state, on the one hand, and socialism and communism on the other — free enterprise versus a controlled economy, with localised variations.

Each broad policy has advantages and disadvantages, but neither adequately reconciles the need for human freedom with a reasonably equitable distribution of wealth.

Capitalism has provided the incentive without which it is unlikely that the world would have achieved that degree of material progress it presently enjoys. It has encouraged personal ambition — in itself a very strong motivating force — and has created the opportunities for free self-determination and the liberty of the individual, confined though it may be by the limitations of his own wealth or poverty.

It has worked very well in the developing world, which needed initiative to explore and use resources and individual courage to open up new horizons, both of which have been stimulated by potential rewards for efforts made.

It is in the nature of man to require recognition for services rendered — be it material acquisitions or the boosting of morale — and as technical progress has created more desirable goods which become increasingly available with wealth, the motivation to acquire wealth has grown stronger.

This in turn has stimulated those with ambition, initiative and ability, who have become the leaders of the capitalist world.

But capitalism has created a world where the distribution of wealth is very uneven. More and more money has accumulated in fewer and fewer hands, though this tendency has been controlled to a certain extent by the gradual growth of worker power and the emergence of trade unions to protect the workers' rights of freedom from exploitation.

In a profit-motivated society the entrepreneur aims for high prices and low costs, and while rising prices are controlled to some extent by free competition the workers, who are an integral part of the cost structure, have needed organisation to protect themselves.

But trade unions, while providing security of job and wages for the worker, seem also to have sapped his incentive to get on with the job. Unlike his employer, he is not stimulated by the profit motive, and the protection afforded him tends to lead to a running battle between employer and employee to the detriment of both themselves and the economy.

The welfare state is an offshoot of capitalism, where the right to free enterprise is recognised

but where the wealthy are heavily taxed in order to subsidise the poor, to such an extent that the incentive of both is killed.

The entrepreneur considers himself insufficiently rewarded and the worker has no motivation to work because all his needs are taken care of by the state. This is more or less a free enterprise economy with a less inequitable distribution of wealth, but it lacks the driving force of reward for effort on the one hand and the need to work on the other.

The distinction between socialism and communism is a fine one, though both are totally opposed to capitalism.

The Shorter Oxford English Dictionary defines socialism as "a theory or policy of social organisation which advocates the ownership and control of the means of production, capital, land, property, etc., by the community as a whole, and their administration or distribution in the interests of all".

Communism is "a theory of society according to which all property should be vested in the community and labour organised for the common benefit".

Capitalism, on the other hand, is "the condition of possessing capital or using it for production; a system of society based on this; dominance of private capitalists".

Socialism can apparently creep up on capitalism, with large and complicated economies requiring more organisation and a developing social conscience demanding a more equitable distribution of wealth.

More industries are nationalised. There is an increase in state control, a growth of bureaucracy. The insidious erosion of individual freedom leads eventually to total erosion until the system might well be equated with communism.

Communism, of the Marxist genre, has as its guiding light the ideal of "from each according to his ability, to each according to his need", which takes it out of the realm of pure economics into the field of sociology.

The idealism is orientated towards the interlocked needs of the individual and society and the economy is geared accordingly. But who judges ability, who judges needs?

The concept of the "dictatorship of the proletariat" is unworkable, because power is inevitably wielded by the few. In such an interlocked unity of the state and its citizens there is a total loss of personal freedom.

Such a system might be to the advantage of the masses for there is, at least theoretically, equality of opportunity — something which is lacking in a capitalistic society — but opportunity itself is

limited by the so-called needs of the state, controlled from above.

Individual initiative is stifled under such a system and individual freedom does not exist, though there is undoubtedly a far more equitable distribution of wealth.

It would appear that no system yet devised can reconcile the retention of individual freedom and rewards for initiative while still creating equality of opportunity and reducing the gap between wealth and poverty. How can this be achieved without stifling the motivation to work, to create, to earn?

The technological age has created a world too complicated, too vast, too inter-related, too thickly-populated to allow for the *laissez faire* of a purely capitalistic society. More control is needed to guide the sick and struggling world economy and to provide for the hungry, but at the same time individual freedom and the opportunity to exploit his own potential is too valuable an asset for man to lose in the interests of control.

Given the thesis of capitalism and the anti-thesis of communism, it is yet possible that a new synthesis might emerge, a welding together of the two systems combining the best elements of both.

Already it is evident that the Western world is beginning to call for more conformity and to exercise more control, while in Soviet Russia, at least, there are indications that citizens are seeking more personal freedom.

Perhaps a new system will evolve historically, but can mankind afford to wait for this, while economies collapse and various threats of confrontation of one kind and another can erupt into an awful reality at any time?

Surely thought must be given, here and now, to devising a way of life that can meet all the pressing needs of our time.

One inescapable truth is that men are not born equal, but come into this world with varying attributes and abilities which they proceed to employ with varying degrees of enthusiasm.

All are entitled to equality of opportunity, but not all can or even care to achieve equality, and this must be recognised so that people are entitled to enjoy the fruits of their endeavours. If they are not permitted to do this they will cease to try.

Unless fruits other than material ones can be devised, it seems inevitable that wealth must continue to be unequal, though extremes such as those common in the capitalistic world are clearly undesirable.

Might it not be possible to control extremes of wealth by abolishing all, or a major percentage of, inherited wealth? It is fair and just that a man should be able to accumulate wealth in his own lifetime through his own efforts, should be so desire. It is not fair and just that some members of the next generation should receive a head-start which is unearned.

Instead of being passed on to a few privileged individuals, could accumulated wealth not perhaps be used, at the end of a lifetime, to finance the provision of equality of opportunity for all, with everything that this implies?

Might it not be wise to abolish the easy credit system, so that people could only buy what they could afford to pay for? This would be an incentive to work, for the technological world provides much that is materially desirable. But a hefty reduction in the availability of easy credit might help to control that periodic inflation which is endemic to capitalism.

People should be free to choose the work they do, and should be rewarded for doing it well, so that advancement is an attainable objective. But the maintenance of a profit system would make it essential that a minimum wage be laid down to prevent any undue exploitation.

Perhaps what applies to people could also be applied to countries. In this increasingly inter-dependent world could there not be one unified monetary system to simplify exchange and trade, and to allow for a more even distribution of resources and earned wealth?

Mankind can no longer afford the law of the jungle in international affairs. It is too dangerous.

It is obvious that these suggestions are simplistic in the extreme and are wide open to criticism. They can undoubtedly be torn to shreds by theoretical and practical economists. But they are tentative, and are put forward with deep humility merely to provoke thought — the more expert and educated, the better.

The over-riding problem appears to be the creation of order without the destruction of liberty in all spheres of life including the economy . . . truly a challenge to man's ability and ingenuity.

