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**PETER WILES****What is to be done ?**

It is a great mistake to compare economic systems only, or even mainly, by the justice or injustice with which they distribute income among individuals and classes; by their adaptability to consumer demand or their economic 'rationality'; or by the political and social relationships to which they give rise. The most important criterion is coarser, more materialistic and much less sophisticated; *how much* does each economic system produce per head? For the principal object, curiously enough, of economic activity is to satisfy human wants; and these being almost limitless the best way to satisfy them is to produce a great deal of everything.

Now countries begin to industrialise and modernise at different times and from different levels of prosperity. We are not interested, then, only in how much per head is produced today, but more in the rate of growth of productivity, and especially in the rate of growth in roughly comparable circumstances (e.g. during industrial maturity or during the first phase of industrialisation). Perhaps the most important fact in all modern economics is that this rate of growth is higher in the manufacturing industry of the Soviet Union than in that of any free country at the period of its maximum development, let alone now: see the table.

We perceive that the overwhelming Communist union

raise efficiency: it can at most—with insignificant exceptions in the U.S. garment trades—not hinder it. All these heavy obstacles are swept aside under Communism. The union follows mechanically the Party line on industrial matters. It loses all bargaining power except in the field of welfare out of working hours (not covered in the factory's plan); it becomes a cheer leader, an organiser of productivity and promoter of enthusiasm. If the authorities want the norms raised (i.e. real wage rates reduced) they get the 'trade unions' to get the 'workers' to propose it 'spontaneously'.

Fifthly, new techniques cannot be resisted by deliberate inertia or wilful ignorance, as so often by trade unions or small capitalists in free countries. There is but one authority to be cajoled into experiment, and browbeaten by demonstration. Admittedly this one authority may be obstinate and thus suppress a good new method altogether. But the more serious danger in practice is the very slow spread of methods proved correct by the best firms. This danger the system of central direction minimises. Also trade secrets are forbidden: it is sabotage to conceal a technical discovery from the authorities or those whom, in other circumstances, one would call competitors. The inventor is liberally rewarded from state funds, and may not in practice take out a patent. Technical education, too, equals in quality and far surpasses in quantity the best Western examples. Technical education is an absolutely vital object of capital expenditure (for it is capital expenditure as surely as money put into ma-

chines and buildings). The mere superiority of the number of Soviet technicians is as great a threat to our economic supremacy as any other single factor.

'Competitors.' But of course, sixthly, there are still competitors, only the object now is not to divert profits from the other man to oneself (and not every measure conducive to this end benefits the community) but to be more efficient and productive than the other man. 'Socialist competition<sup>5</sup> is not a fight but a race, and greater production is a direct, not an accidental or circuitous, result. This competition is financed and run by the State, for both organisations and individuals. On these latter the pressure is particularly great. The successful hero of Socialist competition, the Stakhanovite, is immensely well paid, honoured and privileged; and output norms for the vast majority are continually raised towards the level of his attainment.

Again savings are extracted much more successfully from the population by taxes than by the lure of interest rates in a free economy. But when the forces and the police have had their due not very much more is left for investment than elsewhere. U.S.S.R. invests a fifth or more, U.S.A. and Great Britain about a sixth, of their national incomes. The sheer accumulation of capital may not be so important as technical progress, but it still plays an undoubted role—not least in financing the research that makes technical progress possible. It is true that industry gets a much larger share and construction a much smaller share of the capital available than in other countries, so that to some

extent Soviet industrial growth is the obverse of the Soviet housing shortage; but this does not remove the Soviet system's superiority in raising capital, or explain why the whole national income, as opposed to that derived from industry only, has grown faster. Neither is the simple fact that Communism can raise more capital in general a wholly sufficient explanation of its superior growth in general; so that we need have no recourse to the various institutional explanations also offered. For the growth rate is more than double that of a free economy, while the proportion of national income invested is much less than double, and there are diminishing returns to ever greater investment.

Eighth and last is the whole ideology of the movement. Second only to class war, material progress is the criterion of value and the content of history. 'Full Communism,'<sup>5</sup> its last stage, is a state of productivity so great that out of the ensuing plenty all men's desires can be satisfied according to need, without money or accounting. Yet this fantastic Utopia is taken very seriously: it is official dogma that the U.S.S.R. is even now moving towards 'Full Communism' and the speeches of party bigwigs often end in a peroration on this theme. As Christian medieval Europe was building the City of God, so is the U.S.S.R. building material progress.

The economic growth thus attained is in the eyes of one adhering to the 'Western', 'humanist' or 'liberal' tradition the sole redeeming feature of Soviet society—sole, that is, if he troubles to study the facts and perceives that all other Com-

munist claims to what he considers virtue are lies. But if the observer be suffering from extreme poverty, from old-style Western imperialism or from the plain stagnation of his own society, self-deception is not required to sway him in favour of Communism. He counts all other 'Western' values well lost for the sake of economic growth, thus making a choice *within* that system of values which may be unusual but is not irrational.

Arbitrary imprisonment, national subjugation, murder, torture, inequality, corruption, obscurantism : suppose him never so perfectly informed as to the extent of these, he may still prefer a radio and a full stomach. The countrymen of Gandhi and Maharishi are greater materialists, and with reason, than those of Archdeacon Paley and John Bright. The truth about the greater rate of Soviet economic growth is pro-Communist propaganda hard to counter.

Moreover we have not of course to deal with rational, albeit undernourished, men. Free men are not now, and are never likely to be, perfectly informed about life under Communism, and their own minor quarrels, inertia and shortness of sight will blunt the sharpness of their reaction to whatever information they do receive. Yet again, there is danger in a much more simple way: rich countries—as the Communist countries will be—have more strategic and diplomatic strength than poor ones—as the NATO countries will one day be, relatively speaking. They can keep more men under arms and stock more hydrogen bombs. They can offer bet-

ter terms of trade. They can bribe more politicians, finance more spies, entertain more delegations. And since their society is controlled while their opponents' is free they can use their wealth in yet other ways. They can use nominees to buy shares in armament companies or politically sensitive sectors of the capitalist economy. They can dump in the export markets of countries they particularly dislike. Above all they can support the local Communist parties and press ever more lavishly.

The Communist threat is thus partly one of economic growth. In reply to it neither virtuous conduct, nor rearmament, nor reason, nor psychological warfare, nor cultural freedom are altogether enough. The Western rate of economic growth must also be stepped up. Perhaps in view of our other advantages we can afford to fall a little short, but surely not so far short as we do now. Besides, economic growth is a very good thing in itself: there are many very poor people in U.S.A., for instance, and even a perfectly just and very wealthy society has the duty to help develop backward areas.

But how can we grow faster economically while remaining more or less what we are in other respects? Can some other economic system produce the required results, or must we adopt the 'eightfold way' outlined above? May not many of the evils of Communism be directly attributed to that 'eightfold way'? The presumption must be forgiven of trying to answer these questions in a thousand words. I am convinced, first, that *in manufacturing industry no other*

*system can generate such growth, whereas in agriculture and commerce the system is a demonstrated failure. Communist agriculture and commerce do not therefore concern us. Now there are practically speaking two alternative ways of encouraging growth in manufacturing industry that bear no resemblance to the Communist method. The first is by perfect freedom for entrepreneurs, coupled with the strict enforcement of 'capitalist competition' through trust busting and free importation. The second is by full employment and moderate inflation, which means restrictions on imports and possibly other controls as well—though there is no reason why trust busting should be abandoned. To my mind the second of these methods is much superior to the first, and certainly a crude view of the statistics bears me out, if we compare countries or periods in which the one or the other policy was used. But neither approaches the results of Communism, so we are forced to consider adopting some or all of the 'eighthfold way'<sup>5</sup>.*

Clearly it is no threat to political freedom or private morality if earned income is subjected to less steeply progressive rates of tax, or if a general ideology of economic expansion is preached, and the best workers rewarded with medals or publicity. But it is a much more serious matter to suppress trade unions or the private ownership of the means of production. Yet these institutions are not good in themselves. They contribute nothing—the former less than nothing—to economic progress. They have no particular moral beauty, since both represent only selfishness, albeit

the group selfishness of a trade union is confused by some with altruism. Their work is as political counterweights to the over-mighty State, and to each other.

Past political thought is hagridden by counterweights, checks and balances, the separation of powers, etc.; and by the quasi-Marxist notion that there must be institutional as well as constitutional checks to power, such as, indeed, private property and trade unions. Where manners are unsoftened by education or tradition, where national minorities, sects, or social classes are oppressed, such brakes upon political action are necessary. Power in such countries is dangerous in anyone's hands, and for them the dilemma of economic growth *or* political freedom may indeed be absolute. But for many countries—the Protestant lands of Northwestern Europe, the white dominions of the British Commonwealth, and possibly the U.S.A., there need be no such dilemma. Here parliamentary democracy itself, and a few other quite ordinary legal safeguards, are check enough upon an omnipotent State machine. The electorate would always vote to check an incipient dictatorship, and as for an unconstitutional seizure of power, no checks or balances would stop that anyway. We attribute, as Lord Radcliffe has well said, too many of our blessings to our institutions, too few to our character.<sup>1</sup> Given the perfectly simple conditions that general elections are compulsory and an opposition exists, freedom could only be killed in, say, Scandinavia by foreign conquest. It would itself kill its internal enemies—

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<sup>1</sup> *The Listener* (6 December 1951).

easily. Freedom was indeed built up, even in these countries, on the strict limitation of existing power; in England, for instance, by centuries-long insistence on the inviolability of property, the immunity of deputies and the independence of judges. But once freedom is secure not every weapon by which it was won remains necessary to guard it. In particular the institutional guarantees of our social structure are unnecessary; the sword of inviolable private property may well be beaten into the ploughshare of nationalisation, if on any non-political ground that seems a good thing.

Moreover the Communists have gone much too far, and we do not need to imitate them very precisely. Their governments have much more power than is required for economic growth. It is not nationalisation we need, but State power to rationalise: i.e. to amalgamate enterprises, to enforce specialisation upon branch factories, to standardise products, to dissolve restrictive cartels and trade associations, etc. Most of these things occur under private enterprise, only much too rarely and slowly. The whole formal and legal structure of private ownership can and in my view should be maintained beneath occasional changes, imposed from above, of management and organisation. In planning, again, what matters is that certain standards of efficiency be enforced, not that this or that particular product be produced or price charged. Indeed on the contrary such things should, almost all economists agree, be left to the market and the profit motive. A central efficiency audit is a

much more practical and less threatening proposition than a 100% central plan: yet for economic growth it is much more desirable. Even with trade unionism, some aspects are less deleterious than others. The cherished right to strike for higher wages is a very minor nuisance on the whole; it might possibly suffice to do away with the major evils—restrictive practices, apprenticeship conditions and craft demarcations. For while the former affects merely the value of money, the latter affects the quantity of output. Indeed many American and German trade unions have reached already this comparatively harmless state.

To compel the sharing of technical secrets, and to finance large investment projects out of taxes if need be, are the remaining items in the 'eightfold way.' Clearly less serious than planning and nationalisation, they are only a political threat in so far as they, too, violate private property rights. The State need not be very powerful to adopt such measures as these. There are, too, various quite libertarian devices, unknown to Communism, for making an economy grow: for instance the relaxation of business taxes.

*Fas est el ab hosle doceri.* Yet the imitation of Communism is a very dangerous thing. If I have been too optimistic above about its compatibility with freedom, the following points must also be considered. Agriculture and commerce should remain capitalistically free because—broadly speaking and for reasons we have not space to give here—they are more efficient that way. This is a very great institutional check upon state power. Moreover it is a sort of

marxism to believe that interference with the economy entails encroachment upon political liberty. Many politically totalitarian governments have abandoned economic nonintervention (e.g. the Jacobins and the Nazis), but I cannot recall a single democratic or libertarian government which believed in economic planning and was led by that to the curtailment of political freedom. The lesson of history is long and reassuring on this point. It is not merely, as we saw above, that democratic governments *ex hypothesi* submit themselves to the electorate. It is also that planning is not particularly popular, and the excess of it leads to early electoral defeat. Planning does not kill freedom, but freedom planning. Moreover, the clash of economic interest is by no means stilled—it may well be exacerbated—by planning; and this will find expression in electoral controversy about the allocation of government funds, etc. Again, the kind of planning that most threatens liberty is not that which nationalises property or breaks up the monopolies of labour and capital, but that which interferes with the free play of supply and demand; licensing, rationing, price control, etc. And we have seen all this to be unnecessary.

Finally, if we do not take this risk with our freedom we shall surely lose it by conquest. The cold war is still with us, and war demands of any society that it take risks. The duty to take these risks, moreover, rests quite as much upon the major industrial countries of NATO as upon the backward countries in the direct line of fire. For the benefit to the free world from the centralized planning of industry is

greatest, of course, where there is most industry to plan, and where traditions and constitutions reduce the danger of freedom itself.