III

INDIVIDUALISM AND COLLECTIVISM

The socialists believe in two things which are absolutely different and perhaps even contradictory: freedom and organization.—ELIE HALÉVY.

BEFORE we can progress with our main problem, an obstacle has yet to be surmounted. A confusion largely responsible for the way in which we are drifting into things which nobody wants must be cleared up. This confusion concerns nothing less than the concept of socialism itself. It may mean, and is often used to describe, merely the ideals of social justice, greater equality, and security, which are the ultimate aims of socialism. But it means also the particular method by which most socialists hope to attain these ends and which many competent people regard as the only methods by which they can be fully and quickly attained. In this sense socialism means the abolition of private enterprise, of private ownership of the means of production, and the creation of a system of “planned economy” in which the entrepreneur working for profit is replaced by a central planning body.

There are many people who call themselves socialists, although they care only about the first, who fervently believe in those ultimate aims of socialism but neither care nor understand how they can be achieved, and who are merely certain that they must be achieved, whatever the cost. But to nearly all those to whom socialism is not merely a hope but an object of practical politics, the characteristic methods of modern socialism are as essential as the ends themselves. Many people, on the other hand, who value the ultimate ends of socialism no less than the socialists refuse to support socialism because of the dangers to other values they see in the methods proposed by the socialists. The dispute about socialism has thus become largely a dispute about means and not about ends—although the question whether the different ends of socialism can be simultaneously achieved is also involved.

This would be enough to create confusion. And the confusion has been further increased by the common practice of denying that those who repudiate the means value the ends. But this is not all. The situation is still more complicated by the fact that the same means, the “economic planning” which is the prime instrument of socialist reform, can be used for many other purposes. We must centrally direct economic activity if we want to make the distribution of income conform to current ideas of social justice. “Planning,” therefore, is wanted by all those who demand that “production for use” be substituted for production for profit. But such planning is no less indispensable if the distribution of incomes is to be regulated in a way which to us appears to be the opposite of just. Whether we should wish that more of the good things of this world should go to some racial élite, the Nordic men, or the members of a party or an aristocracy, the methods which we shall have to employ are the same as those which could insure an equitarian distribution.

It may, perhaps, seem unfair to use the term “socialism” to describe its methods rather than its aims, to use for a particular method a term which for many people stands for an ultimate ideal. It is probably preferable to describe the methods which can be used for a great variety of ends as collectivism and to regard socialism as a species of that genus. Yet, although to most socialists only one species of collectivism will represent true socialism, it must always be remembered that socialism is a species of collectivism and that therefore everything which is
true of collectivism as such must apply also to socialism. Nearly all the points which are disputed between socialists and liberals concern the methods common to all forms of collectivism and not the particular ends for which socialists want to use them; and all the consequences with which we shall be concerned in this book follow from the methods of collectivism irrespective of the ends for which they are used. It must also not be forgotten that socialism is not only by far the most important species of collectivism or "planning" but that it is socialism which has persuaded liberal-minded people to submit once more to that regimentation of economic life which they had overthrown because, in the words of Adam Smith, it puts governments in a position where "to support themselves they are obliged to be oppressive and tyrannical."  

The difficulties caused by the ambiguities of the common political terms are not yet over if we agree to use the term "collectivism" so as to include all types of "planned economy," whatever the end of planning. The meaning of this term becomes somewhat more definite if we make it clear that we mean that sort of planning which is necessary to realize any given distributive ideals. But, as the idea of central economic planning owes its appeal largely to this very vagueness of its meaning, it is essential that we should agree on its precise sense before we discuss its consequences.

"Planning" owes its popularity largely to the fact that everybody desires, of course, that we should handle our common problems as rationally as possible and that, in so doing, we should use as much foresight as we can command. In this sense everybody who is not a complete fatalist is a planner, every political act is (or ought to be) an act of planning, and

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1 Quoted in Dugald Stewart's Memoir of Adam Smith from a memorandum written by Smith in 1755.
and it is now generally accepted in this sense. But though this is meant to suggest that this is the only rational way of handling our affairs, it does not, of course, prove this. It remains the point on which the planners and the liberals disagree.

It is important not to confuse opposition against this kind of planning with a dogmatic laissez faire attitude. The liberal argument is in favor of making the best possible use of the forces of competition as a means of co-ordinating human efforts, not an argument for leaving things just as they are. It is based on the conviction that, where effective competition can be created, it is a better way of guiding individual efforts than any other. It does not deny, but even emphasizes, that, in order that competition should work beneficially, a carefully thought-out legal framework is required and that neither the existing nor the past legal rules are free from grave defects. Nor does it deny that, where it is impossible to create the conditions necessary to make competition effective, we must resort to other methods of guiding economic activity. Economic liberalism is opposed, however, to competition's being supplanted by inferior methods of co-ordinating individual efforts. And it regards competition as superior not only because it is in most circumstances the most efficient method known but even more because it is the only method by which our activities can be adjusted to each other without coercive or arbitrary intervention of authority. Indeed, one of the main arguments in favor of competition is that it dispenses with the need for "conscious social control" and that it gives the individuals a chance to decide whether the prospects of a particular occupation are sufficient to compensate for the disadvantages and risks connected with it.

The successful use of competition as the principle of social organization precludes certain types of coercive interference with economic life, but it admits of others which sometimes may very considerably assist its work and even requires certain kinds of government action. But there is good reason why the negative requirements, the points where coercion must not be used, have been particularly stressed. It is necessary in the first instance that the parties in the market should be free to sell and buy at any price at which they can find a partner to the transaction and that anybody should be free to produce, sell, and buy anything that may be produced or sold at all. And it is essential that the entry into the different trades should be open to all on equal terms and that the law should not tolerate any attempts by individuals or groups to restrict this entry by open or concealed force. Any attempt to control prices or quantities of particular commodities deprives competition of its power of bringing about an effective co-ordination of individual efforts, because price changes then cease to register all the relevant changes in circumstances and no longer provide a reliable guide for the individual's actions.

This is not necessarily true, however, of measures merely restricting the allowed methods of production, so long as these restrictions affect all potential producers equally and are not used as an indirect way of controlling prices and quantities. Though all such controls of the methods or production impose extra costs (i.e., make it necessary to use more resources to produce a given output), they may be well worth while. To prohibit the use of certain poisonous substances or to require special precautions in their use, to limit working hours or to require certain sanitary arrangements, is fully compatible with the preservation of competition. The only question here is whether in the particular instance the advantages gained are greater than the social costs which they impose. Nor is the preservation of competition incompatible with an extensive system of social services—so long as the organization of these services is not designed in such a way as to make competition ineffective over wide fields.
It is regrettable, though not difficult to explain, that in the past much less attention has been given to the positive requirements of a successful working of the competitive system than to these negative points. The functioning of a competition not only requires adequate organization of certain institutions like money, markets, and channels of information—some of which can never be adequately provided by private enterprise—but it depends, above all, on the existence of an appropriate legal system, a legal system designed both to preserve competition and to make it operate as beneficially as possible. It is by no means sufficient that the law should recognize the principle of private property and freedom of contract; much depends on the precise definition of the right of property as applied to different things. The systematic study of the forms of legal institutions which will make the competitive system work efficiently has been sadly neglected; and strong arguments can be advanced that serious shortcomings here, particularly with regard to the law of corporations and of patents, not only have made competition work much less effectively than it might have done but have even led to the destruction of competition in many spheres.

There are, finally, undoubted fields where no legal arrangements can create the main condition on which the usefulness of the system of competition and private property depends; namely, that the owner benefits from all the useful services rendered by his property and suffers for all the damages caused to others by its use. Where, for example, it is impracticable to make the enjoyment of certain services dependent on the payment of a price, competition will not produce the services; and the price system becomes similarly ineffective when the damage caused to others by certain uses of property cannot be effectively charged to the owner of that property. In all these instances there is a divergence between the items which enter into private calculation and those which affect social welfare; and, whenever this divergence becomes important, some method other than competition may have to be found to supply the services in question. Thus neither the provision of signposts on the roads nor, in most circumstances, that of the roads themselves can be paid for by every individual user. Nor can certain harmful effects of deforestation, of some methods of farming, or of the smoke and noise of factories be confined to the owner of the property in question or to those who are willing to submit to the damage for an agreed compensation. In such instances we must find some substitute for the regulation by the price mechanism. But the fact that we have to resort to the substitution of direct regulation by authority where the conditions for the proper working of competition cannot be created does not prove that we should suppress competition where it can be made to function.

To create conditions in which competition will be as effective as possible, to supplement it where it cannot be made effective, to provide the services which, in the words of Adam Smith, "though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals"—these tasks provide, indeed, a wide and unquestioned field for state activity. In no system that could be rationally defended would the state just do nothing. An effective competitive system needs an intelligently designed and continuously adjusted legal framework as much as any other. Even the most essential prerequisite of its proper functioning, the prevention of fraud and deception (including exploitation of ignorance), provides a great and by no means yet fully accomplished object of legislative activity.

The task of creating a suitable framework for the beneficial working of competition had, however, not yet been carried very far when states everywhere turned from it to that of sup-
planting competition by a different and irreconcilable principle. The question was no longer one of making competition work and of supplementing it but of displacing it altogether. It is important to be quite clear about this: the modern movement for planning is a movement against competition as such, a new flag under which all the old enemies of competition have rallied. And although all sorts of interests are now trying to re-establish under this flag privileges which the liberal era swept away, it is socialist propaganda for planning which has restored to respectability among liberal-minded people opposition to competition and which has effectively lulled the healthy suspicion which any attempt to smother competition used to arouse.\footnote{Of late, it is true, some academic socialists, under the spur of criticism and animated by the same fear of the extinction of freedom in a centrally planned society, have devised a new kind of "competitive socialism" which they hope will avoid the difficulties and dangers of central planning and combine the abolition of private property with the full retention of individual freedom. Although some discussion of this new kind of socialism has taken place in learned journals, it is hardly likely to recommend itself to practical politicians. If it ever did, it would not be difficult to show (as the author has attempted elsewhere—see Economica, 1940) that these plans rest on a delusion and suffer from an inherent contradiction. It is impossible to assume control over all the productive resources without also deciding for whom and by whom they are to be used. Although under this so-called "competitive socialism" the planning by the central authority would take somewhat more roundabout forms, its effects would not be fundamentally different, and the element of competition would be little more than a sham.}

INDIVIDUALISM AND COLLECTIVISM

lifers: a sort of syndicalist or "corporative" organization of industry, in which competition is more or less suppressed but planning is left in the hands of the independent monopolies of the separate industries. This is the inevitable first result of a situation in which the people are united in their hostility to competition but agree on little else. By destroying competition in industry after industry, this policy puts the consumer at the mercy of the joint monopolist action of capitalists and workers in the best organized industries. Yet, although this is a state of affairs which in wide fields has already existed for some time, and although much of the muddled (and most of the interested) agitation for planning aims at it, it is not a state which is likely to persist or can be rationally justified. Such independent planning by industrial monopolies would, in fact, produce effects opposite to those at which the argument for planning aims. Once this stage is reached, the only alternative to a return to competition is the control of the monopolies by the state—a control which, if it is to be made effective, must become progressively more complete and more detailed. It is this stage we are rapidly approaching. When, shortly before the war, a weekly magazine pointed out that there were many signs that British leaders, at least, were growing accustomed to thinking in terms of national development by controlled monopolies, this was probably a true estimate of the position as it then existed. Since then this process has been greatly accelerated by the war, and its grave defects and dangers will become increasingly obvious as time goes on.

The idea of complete centralization of the direction of economic activity still appalls most people, not only because of the stupendous difficulty of the task, but even more because of the horror inspired by the idea of everything being directed from a single center. If we are, nevertheless, rapidly moving toward such a state, this is largely because most people still believe that it is must be possible to find some middle way between
"atomistic" competition and central direction. Nothing, indeed, seems at first more plausible, or is more likely to appeal to reasonable people, than the idea that our goal must be neither the extreme decentralization of free competition nor the complete centralization of a single plan but some judicious mixture of the two methods. Yet mere common sense proves a treacherous guide in this field. Although competition can bear some admixture of regulation, it cannot be combined with planning to any extent we like without ceasing to operate as an effective guide to production. Nor is "planning" a medicine which, taken in small doses, can produce the effects for which one might hope from its thoroughgoing application. Both competition and central direction become poor and inefficient tools if they are incomplete; they are alternative principles used to solve the same problem, and a mixture of the two means that neither will really work and that the result will be worse than if either system had been consistently relied upon. Or, to express it differently, planning and competition can be combined only by planning for competition but not by planning against competition.

It is of the utmost importance to the argument of this book for the reader to keep in mind that the planning against which all our criticism is directed is solely the planning against competition—the planning which is to be substituted for competition. This is the more important, as we cannot, within the scope of this book, enter into a discussion of the very necessary planning which is required to make competition as effective and beneficial as possible. But as in current usage "planning" has become almost synonymous with the former kind of planning, it will sometimes be inevitable for the sake of brevity to refer to it simply as planning, even though this means leaving to our opponents a very good word meriting a better fate.

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IV

THE "INEVITABILITY" OF PLANNING

We were the first to assert that the more complicated the forms assumed by civilization, the more restricted the freedom of the individual must become.—Benito Mussolini.

It is a revealing fact that few planners are content to say that central planning is desirable. Most of them affirm that we can no longer choose but are compelled by circumstances beyond our control to substitute planning for competition. The myth is deliberately cultivated that we are embarking on the new course not out of free will but because competition is spontaneously eliminated by technological changes which we neither can reverse nor should wish to prevent. This argument is rarely developed at any length—it is one of the assertions taken over by one writer from another until, by mere iteration, it has come to be accepted as an established fact. It is, nevertheless, devoid of foundation. The tendency toward monopoly and planning is not the result of any "objective facts" beyond our control but the product of opinions fostered and propagated for half a century until they have come to dominate all our policy.

Of the various arguments employed to demonstrate the inevitability of planning, the one most frequently heard is that technological changes have made competition impossible in a constantly increasing number of fields and that the only choice left to us is between control of production by private monopolies and direction by the government. This belief derives mainly from the Marxist doctrine of the "concentration
of industry," although, like so many Marxist ideas, it is now found in many circles which have received it at third or fourth hand and do not know whence it derives.

The historical fact of the progressive growth of monopoly during the last fifty years and the increasing restriction of the field in which competition rules is, of course, not disputed—although the extent of the phenomenon is often greatly exaggerated. The important question is whether this development is a necessary consequence of the advance of technology or whether it is simply the result of the policies pursued in most countries. We shall presently see that the actual history of this development strongly suggests the latter. But we must first consider how far modern technological developments are of such a kind as to make the growth of monopolies in wide fields inevitable.

The alleged technological cause of the growth of monopoly is the superiority of the large firm over the small, owing to the greater efficiency of modern methods of mass production. Modern methods, it is asserted, have created conditions in the majority of industries where the production of the large firm can be increased at decreasing costs per unit, with the result that the large firms are everywhere underbidding and driving out the small ones; this process must go on until in each industry only one or at most a few giant firms are left. This argument singles out one effect sometimes accompanying technological progress; it disregards others which work in the opposite direction; and it receives little support from a serious study of the facts. We cannot here investigate this question in detail and must be content to accept the best evidence available. The most comprehensive study of the facts undertaken in recent times is that by the Temporary National Economic Commit-

tee on the Concentration of Economic Power. The final report of this committee (which certainly cannot be accused of an undue liberal bias) arrives at the conclusion that the view according to which the greater efficiency of large-scale production is the cause of the disappearance of competition "finds scant support in any evidence that is now at hand." And the detailed monograph on the question which was prepared for the committee sums up the answer in this statement:

"The superior efficiency of large establishments has not been demonstrated; the advantages that are supposed to destroy competition have failed to manifest themselves in many fields. Nor do the economies of size, where they exist, invariably necessitate monopoly. . . . . . The size or the sizes of the optimum efficiency may be reached long before the major part of a supply is subjected to such control. The conclusions that the advantage of large-scale production must lead inevitably to the abolition of competition cannot be accepted. It should be noted, moreover, that monopoly is frequently the product of factors other than the lower costs of greater size. It is attained through collusive agreement and promoted by public policies. When these agreements are invalidated and when these policies are reversed, competitive conditions can be restored."

An investigation of conditions in England would lead to very similar results. Anyone who has observed how aspiring monopolists regularly seek and frequently obtain the assistance of the power of the state to make their control effective can have little doubt that there is nothing inevitable about this development.

1 For a fuller discussion of these problems see Professor Lionel Robbins' essay, "The Inevitability of Monopoly," The Economic Basis of Class Conflict (1939), pp. 45-80.

2 Final Report and Recommendations of the Temporary National Economic Committee (77th Cong., 1st sess.; Senate Document No. 55 [1941]), p. 89.

3 G. Wilcox, Competition and Monopoly in American Industry (Temporary National Economic Committee Monograph, No. 21 [1940]), p. 514.
THE ROAD TO SERFDOM

This conclusion is strongly supported by the historical order in which the decline of competition and the growth of monopoly manifested themselves in different countries. If they were the result of technological developments or a necessary product of the evolution of "capitalism," we should expect them to appear first in the countries with the most advanced economic system. In fact, they appeared first during the last third of the nineteenth century in what were then comparatively young industrial countries, the United States and Germany. In the latter country especially, which came to be regarded as the model country typifying the necessary evolution of capitalism, the growth of cartels and syndicates has since 1878 been systematically fostered by deliberate policy. Not only the instrument of protection but direct inducements and ultimately compulsion were used by the governments to further the creation of monopolies for the regulation of prices and sales. It was here that, with the help of the state, the first great experiment in "scientific planning" and "conscious organization of industry" led to the creation of giant monopolies, which were represented as inevitable growths fifty years before the same was done in Great Britain. It is largely due to the influence of German socialist theoreticians, particularly Sombart, generalizing from the experience of their country, that the inevitable development of the competitive system into "monopoly capitalism" became widely accepted. That in the United States a highly protectionist policy made a somewhat similar development possible seemed to confirm this generalization. The development of Germany, however, more than that of the United States, came to be regarded as representative of a universal tendency; and it became a commonplace to speak—to quote a widely read political essay of recent date—of "Germany where all the social and political forces of modern civilization have reached their most advanced form."

4 Reinhold Niebuhr, Moral Man and Immoral Society (1932).

THE "INEVITABILITY" OF PLANNING

How little there was of inevitability in all this, and how much is the result of deliberate policy, becomes clear when we consider the position in England until 1931 and the development since that year in which Great Britain also embarked upon a policy of general protection. It is only a dozen years since, except for a few industries which had obtained protection earlier, British industry was on the whole as competitive as, perhaps, at any time in its history. And, although during the 1920's it suffered severely from incompatible policies followed with regard to wages and to money, at least the years up to 1929 compare with regard to employment and general activity not unfavorably with the 1930's. It is only since the transition to protection and the general change in British economic policy accompanying it that the growth of monopolies has proceeded at an amazing rate and has transformed British industry to an extent the public has scarcely yet realized. To argue that this development has anything to do with the technological progress during this period, that technological necessities which in Germany operated in the 1880's and 1890's, made themselves felt here in the 1930's, is not much less absurd than the claim, implied in a statement of Mussolini, that Italy had to abolish individual freedom before other European people because its civilization had marched so far in advance of the rest!

In so far as England is concerned, the thesis that the change in opinion and policy merely follows an inexorable change in the facts can be given a certain appearance of truth, just because the nation has followed at a distance the intellectual developments elsewhere. It could thus be argued that monopolistic organization of industry grew up in spite of the fact that public opinion still favored competition but that outside events frustrated their wishes. The true relation between theory and practice becomes, however, clear as soon as we look to the prototype of this development—Germany. That there
THE ROAD TO SERFDOM

the suppression of competition was a matter of deliberate policy, that it was undertaken in the service of the ideal which we now call planning, there can be no doubt. In the progressive advance toward a completely planned society the Germans, and all the people who are imitating their example, are merely following the course which nineteenth-century thinkers, particularly Germans, have mapped out for them. The intellectual history of the last sixty or eighty years is indeed a perfect illustration of the truth that in social evolution nothing is inevitable but thinking makes it so.

The assertion that modern technological progress makes planning inevitable can also be interpreted in a different manner. It may mean that the complexity of our modern industrial civilization creates new problems with which we cannot hope to deal effectively except by central planning. In a sense this is true—yet not in the wide sense in which it is claimed. It is, for example, a commonplace that many of the problems created by a modern town, like many other problems caused by close contiguity in space, are not adequately solved by competition. But it is not these problems, like those of the "public utilities," etc., which are uppermost in the minds of those who invoke the complexity of modern civilization as an argument for central planning. What they generally suggest is that the increasing difficulty of obtaining a coherent picture of the complete economic process makes it indispensable that things should be co-ordinated by some central agency if social life is not to dissolve in chaos.

This argument is based on a complete misapprehension of the working of competition. Far from being appropriate only to comparatively simple conditions, it is the very complexity of the division of labor under modern conditions which makes competition the only method by which such co-ordination can be adequately brought about. There would be no difficulty

THE "INEVITABILITY" OF PLANNING

about efficient control or planning were conditions so simple that a single person or board could effectively survey all the relevant facts. It is only as the factors which have to be taken into account become so numerous that it is impossible to gain a synoptic view of them that decentralization becomes imperative. But, once decentralization is necessary, the problem of co-ordination arises—a co-ordination which leaves the separate agencies free to adjust their activities to the facts which only they can know and yet brings about a mutual adjsutment of their respective plans. As decentralization has become necessary because nobody can consciously balance all the considerations bearing on the decisions of so many individuals, the co-ordination can clearly be effected not by "conscious control" but only by arrangements which convey to each agent the information he must possess in order effectively to adjust his decisions to those of others. And because all the details of the changes constantly affecting the conditions of demand and supply of the different commodities can never be fully known, or quickly enough be collected and disseminated, by any one center, what is required is some apparatus of registration which automatically records all the relevant effects of individual actions and whose indications are at the same time the resultant of, and the guide for, all the individual decisions.

This is precisely what the price system does under competition, and which no other system even promises to accomplish. It enables entrepreneurs, by watching the movement of comparatively few prices, as an engineer watches the hands of a few dials, to adjust their activities to those of their fellows. The important point here is that the price system will fulfit this function only if competition prevails, that is, if the individual producer has to adapt himself to price changes and cannot control them. The more complicated the whole, the more dependent we become on that division of knowledge between individuals whose separate efforts are co-ordinated by the impersonal
mechanism for transmitting the relevant information known by us as the price system.

It is no exaggeration to say that if we had had to rely on conscious central planning for the growth of our industrial system, it would never have reached the degree of differentiation, complexity, and flexibility it has attained. Compared with this method of solving the economic problem by means of decentralization plus automatic co-ordination, the more obvious method of central direction is incredibly clumsy, primitive, and limited in scope. That the division of labor has reached the extent which makes modern civilization possible we owe to the fact that it did not have to be consciously created but that man tumbled on a method by which the division of labor could be extended far beyond the limits within which it could have been planned. Any further growth of its complexity, therefore, far from making central direction more necessary, makes it more important than ever that we should use a technique which does not depend on conscious control.

There is yet another theory which connects the growth of monopolies with technological progress, and which uses arguments almost opposite to those we have just considered; though not often clearly stated, it has also exercised considerable influence. It contends not that modern technique destroys competition but that, on the contrary, it will be impossible to make use of many of the new technological possibilities unless protection against competition is granted, i.e., a monopoly is conferred. This type of argument is not necessarily fraudulent, as the critical reader will perhaps suspect: the obvious answer—that if a new technique for satisfying our wants is really better, it ought to be able to stand up against all competition—does not dispose of all instances to which this argument refers. No doubt in many cases it is used merely as a form of special pleading by interested parties. Even more often it is probably based on a confusion between technical excellence from a narrow engineering point of view and desirability from the point of view of society as a whole.

There remains, however, a group of instances where the argument has some force. It is, for example, at least conceivable that the British automobile industry might be able to supply a car cheaper and better than cars used to be in the United States if everyone in England were made to use the same kind of car or that the use of electricity for all purposes could be made cheaper than coal or gas if everybody could be made to use only electricity. In instances like these it is at least possible that we might all be better off and should prefer the new situation if we had the choice—but that no individual ever gets the choice, because the alternative is either that we should all use the same cheap car (or all should use only electricity) or that we should have the choice between these things with each of them at a much higher price. I do not know whether this is true in either of the instances given. But it must be admitted that it is possible that, by compulsory standardization or the prohibition of variety beyond a certain degree, abundance might be increased in some fields more than sufficiently to compensate for the restriction of the choice of the consumer. It is even conceivable that a new invention may be made some day whose adoption would seem unquestionably beneficial but which could be used only if many or all people were made to avail themselves of it at the same time.

Whether such instances are of any great or lasting importance, they are certainly not instances where it could be legitimately claimed that technical progress makes central direction inevitable. They would merely make it necessary to choose between gaining a particular advantage by compulsion and not obtaining it—or, in most instances, obtaining it a little later, when further technical advance has overcome the particular difficulties. It is true that in such situations we may
have to sacrifice a possible immediate gain as the price of our freedom—but we avoid, on the other hand, the necessity of making future developments dependent upon the knowledge which particular people now possess. By sacrificing such possible present advantages, we preserve an important stimulus to further progress. Though in the short run the price we have to pay for variety and freedom of choice may sometimes be high, in the long run even material progress will depend on this very variety, because we can never predict from which of the many forms in which a good or service can be provided something better may develop. It cannot, of course, be asserted that the preservation of freedom at the expense of some addition to our present material comfort will be thus rewarded in all instances. But the argument for freedom is precisely that we ought to leave room for the unforeseeable free growth. It applies, therefore, no less when, on the basis of our present knowledge, compulsion would seem to bring only advantages, and although in a particular instance it may actually do no harm.

In much of the current discussion on the effects of technological progress this progress is presented to us as if it were something outside us which could compel us to use the new knowledge in a particular way. While it is true, of course, that inventions have given us tremendous power, it is absurd to suggest that we must use this power to destroy our most precious inheritance: liberty. It does mean, however, that if we want to preserve it, we must guard it more jealously than ever and that we must be prepared to make sacrifices for it. While there is nothing in modern technological developments which forces us toward comprehensive economic planning, there is a great deal in them which makes infinitely more dangerous the power a planning authority would possess.

While there can thus be little doubt that the movement toward planning is the result of deliberate action and that there are no external necessities which force us to it, it is worth inquiring why so large a proportion of the technical experts should be found in the front rank of the planners. The explanation of this phenomenon is closely connected with an important fact which the critics of the planners should always keep in mind: that there is little question that almost every one of the technical ideals of our experts could be realized within a comparatively short time if to achieve them were made the sole aim of humanity. There is an infinite number of good things, which we all agree are highly desirable as well as possible, but of which we cannot hope to achieve more than a few within our lifetime, or which we can hope to achieve only very imperfectly. It is the frustration of his ambitions in his own field which makes the specialist revolt against the existing order. We all find it difficult to bear to see things left undone which everybody must admit are both desirable and possible. That these things cannot all be done at the same time, that any one of them can be achieved only at the sacrifice of others, can be seen only by taking into account factors which fall outside any specialization, which can be appreciated only by a painful intellectual effort—the more painful as it forces us to see against a wider background the objects to which most of our labors are directed and to balance them against others which lie outside our immediate interest and for which, for that reason, we care less.

Every one of the many things which, considered in isolation, it would be possible to achieve in a planned society creates enthusiasm for planning who feel confident that they will be able to instil into the directors of such a society their sense of the value of the particular objective; and the hopes of some of them would undoubtedly be fulfilled, since a planned society would certainly further some objectives more than is the case at present. It would be foolish to deny that the instances of planned or semi-planned societies which we know do furnish
illustrations in point, good things which the people of those
countries owe entirely to planning. The magnificent motor
roads in Germany and Italy are an instance often quoted—even though they do not represent a kind of planning not
equally possible in a liberal society. But it is equally foolish to
quote such instances of technical excellence in particular fields
as evidence of the general superiority of planning. It would be
more correct to say that such extreme technical excellence out
of line with general conditions is evidence of a misdirection of
resources. Anyone who has driven along the famous German
motor roads and found the amount of traffic on them less than
on many a secondary road in England can have little doubt
that, so far as peace purposes are concerned, there was little
justification for them. Whether it was not a case where the
planners decided in favor of "guns" instead of "butter" is an-
other matter.1 But by our standards there is little ground for
enthusiasm.

The illusion of the specialist that in a planned society he
would secure more attention to the objectives for which he
cares most is a more general phenomenon than the term "spe-
cialist" at first suggests. In our predilections and interests we
are all in some measure specialists. And we all think that our
personal order of values is not merely personal but that in a
free discussion among rational people we would convince the
others that ours is the right one. The lover of the countryside
who wants above all that its traditional appearance should be
preserved and that the blots already made by industry on its
fair face should be removed, no less than the health enthusiast
who wants all the picturesque but insanitary old cottages
cleared away, or the motorist who wishes the country cut up
by big motor roads, the efficiency fanatic who desires the
maximum of specialization and mechanization no less than the

1 But as I am correcting this the news comes that maintenance work on the
German motor roads has been suspended.
V

PLANNING AND DEMOCRACY

The statesman who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted to no council and senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it. — ADAM SMITH.

The common features of all collectivist systems may be described, in a phrase ever dear to socialists of all schools, as the deliberate organization of the labors of society for a definite social goal. That our present society lacks such “conscious” direction toward a single aim, that its activities are guided by the whims and fancies of irresponsible individuals, has always been one of the main complaints of its socialist critics.

In many ways this puts the basic issue very clearly. And it directs us at once to the point where the conflict arises between individual freedom and collectivism. The various kinds of collectivism, communism, fascism, etc., differ among themselves in the nature of the goal toward which they want to direct the efforts of society. But they all differ from liberalism and individualism in wanting to organize the whole of society and all its resources for this unitary end and in refusing to recognize autonomous spheres in which the ends of the individuals are supreme. In short, they are totalitarian in the true sense of this new word which we have adopted to describe the unex-
pected but nevertheless inseparable manifestations of what in theory we call collectivism.

The “social goal,” or “common purpose,” for which society is to be organized is usually vaguely described as the “common good,” the “general welfare,” or the “general interest.” It does not need much reflection to see that these terms have no sufficiently definite meaning to determine a particular course of action. The welfare and the happiness of millions cannot be measured on a single scale of less and more. The welfare of a people, like the happiness of a man, depends on a great many things that can be provided in an infinite variety of combinations. It cannot be adequately expressed as a single end, but only as a hierarchy of ends, a comprehensive scale of values in which every need of every person is given its place. To direct all our activities according to a single plan presupposes that every one of our needs is given its rank in an order of values which must be complete enough to make it possible to decide among all the different courses which the planner has to choose. It presupposes, in short, the existence of a complete ethical code in which all the different human values are allotted their due place.

The conception of a complete ethical code is unfamiliar, and it requires some effort of imagination to see what it involves. We are not in the habit of thinking of moral codes as more or less complete. The fact that we are constantly choosing between different values without a social code prescribing how we ought to choose does not surprise us and does not suggest to us that our moral code is incomplete. In our society there is neither occasion nor reason why people should develop common views about what should be done in such situations. But where all the means to be used are the property of society and are to be used in the name of society according to a unitary plan, a “social” view about what ought to be done must guide
THE ROAD TO SERFDOM

all decisions. In such a world we should soon find that our moral code is full of gaps.

We are not concerned here with the question whether it would be desirable to have such a complete ethical code. It may merely be pointed out that up to the present the growth of civilization has been accompanied by a steady diminution of the sphere in which individual actions are bound by fixed rules. The rules of which our common moral code consists have progressively become fewer and more general in character. From the primitive man, who was bound by an elaborate ritual in almost every one of his daily activities, who was limited by innumerable taboos, and who could scarcely conceive of doing things in a way different from his fellows, morals have more and more tended to become merely limits circumscribing the sphere within which the individual could behave as he liked. The adoption of a common ethical code comprehensive enough to determine a unitary economic plan would mean a complete reversal of this tendency.

The essential point for us is that no such complete ethical code exists. The attempt to direct all economic activity according to a single plan would raise innumerable questions to which the answer could be provided only by a moral rule, but to which existing morals have no answer and where there exists no agreed view on what ought to be done. People will have either no definite views or conflicting views on such questions, because in the free society in which we have lived there has been no occasion to think about them and still less to form common opinions about them.

Not only do we not possess such an all-inclusive scale of values: it would be impossible for any mind to comprehend the infinite variety of different needs of different people which compete for the available resources and to attach a definite weight to each. For our problem it is of minor importance whether the ends for which any person cares comprehend only his own individual needs, or whether they include the needs of his closer or even those of his more distant fellows—that is, whether he is egoistic or altruistic in the ordinary senses of these words. The point which is so important is the basic fact that it is impossible for any man to survey more than a limited field, to be aware of the urgency of more than a limited number of needs. Whether his interests center round his own physical needs, or whether he takes a warm interest in the welfare of every human being he knows, the ends about which he can be concerned will always be only an infinitesimal fraction of the needs of all men.

This is the fundamental fact on which the whole philosophy of individualism is based. It does not assume, as is often asserted, that man is egoistic or selfish or ought to be. It merely starts from the indisputable fact that the limits of our powers of imagination make it impossible to include in our scale of values more than a sector of the needs of the whole society, and that, since, strictly speaking, scales of value can exist only in individual minds, nothing but partial scales of values exist—scales which are inevitably different and often inconsistent with each other. From this the individualist concludes that the individuals should be allowed, within defined limits, to follow their own values and preferences rather than somebody else’s; that within these spheres the individual’s system of ends should be supreme and not subject to any dictation by others. It is this recognition of the individual as the ultimate judge of his ends, the belief that as far as possible his own views ought to govern his actions, that forms the essence of the individualist position.

This view does not, of course, exclude the recognition of social ends, or rather of a coincidence of individual ends which makes it advisable for men to combine for their pursuit. But it limits such common action to the instances where individual
views coincide; what are called "social ends" are for it merely identical ends of many individuals—or ends to the achievement of which individuals are willing to contribute in return for the assistance they receive in the satisfaction of their own desires. Common action is thus limited to the fields where people agree on common ends. Very frequently these common ends will not be ultimate ends to the individuals but means which different persons can use for different purposes. In fact, people are most likely to agree on common action where the common end is not an ultimate end to them but a means capable of serving a great variety of purposes.

When individuals combine in a joint effort to realize ends they have in common, the organizations, like the state, that they form for this purpose are given their own system of ends and their own means. But any organization thus formed remains one "person" among others, in the case of the state much more powerful than any of the others, it is true, yet still with its separate and limited sphere in which alone its ends are supreme. The limits of this sphere are determined by the extent to which the individuals agree on particular ends; and the probability that they will agree on a particular course of action necessarily decreases as the scope of such action extends.

There are certain functions of the state on the exercise of which there will be practical unanimity among its citizens; there will be others on which there will be agreement of a substantial majority; and so on, until we come to fields where, although each individual might wish the state to act in some way, there will be almost as many views about what the government should do as there are different people.

We can rely on voluntary agreement to guide the action of the state only so long as it is confined to spheres where agreement exists. But not only when the state undertakes direct control in fields where there is no such agreement is it bound to suppress individual freedom. We can unfortunately not indefi-

nately extend the sphere of common action and still leave the individual free in his own sphere. Once the communal sector, in which the state controls all the means, exceeds a certain proportion of the whole, the effects of its actions dominate the whole system. Although the state controls directly the use of only a large part of the available resources, the effects of its decisions on the remaining part of the economic system become so great that indirectly it controls almost everything. Where, as was, for example, true in Germany as early as 1928, the central and local authorities directly control the use of more than half the national income (according to an official German estimate then, 53 per cent), they control indirectly almost the whole economic life of the nation. There is, then, scarcely an individual end which is not dependent for its achievement on the action of the state, and the "social scale of values" which guides the state's action must embrace practically all individual ends.

It is not difficult to see what must be the consequences when democracy embarks upon a course of planning which in its execution requires more agreement than in fact exists. The people may have agreed on adopting a system of directed economy because they have been convinced that it will produce great prosperity. In the discussions leading to the decision, the goal of planning will have been described by some such term as "common welfare," which only conceals the absence of real agreement on the ends of planning. Agreement will in fact exist only on the mechanism to be used. But it is a mechanism which can be used only for a common end; and the question of the precise goal toward which all activity is to be directed will arise as soon as the executive power has to translate the demand for a single plan into a particular plan. Then it will appear that the agreement on the desirability of planning is not supported by agreement on the ends the plan is to
serve. The effect of the people’s agreeing that there must be central planning, without agreeing on the ends, will be rather as if a group of people were to commit themselves to take a journey together without agreeing where they want to go: with the result that they may all have to make a journey which most of them do not want at all. That planning creates a situation in which it is necessary for us to agree on a much larger number of topics than we have been used to, and that in a planned system we cannot confine collective action to the tasks on which we can agree but are forced to produce agreement on everything in order that any action can be taken at all, is one of the features which contributes more than most to determining the character of a planned system.

It may be the unanimously expressed will of the people that its parliament should prepare a comprehensive economic plan, yet neither the people nor its representatives need therefore be able to agree on any particular plan. The inability of democratic assemblies to carry out what seems to be a clear mandate of the people will inevitably cause dissatisfaction with democratic institutions. Parliaments come to be regarded as ineffective “talking shops,” unable or incompetent to carry out the tasks for which they have been chosen. The conviction grows that if efficient planning is to be done, the direction must be “taken out of politics” and placed in the hands of experts—permanent officials or independent autonomous bodies.

The difficulty is well known to socialists. It will soon be half a century since the Webbs began to complain of “the increased incapacity of the House of Commons to cope with its work.” More recently, Professor Laski has elaborated the argument:

“It is common ground that the present parliamentary machine is quite unsuited to pass rapidly a great body of complicated legislation. The National Government, indeed, has in substance admitted this by implementing its economy and tariff measures not by detailed debate in the House of Commons but by a wholesale system of delegated legislation. A Labour Government would, I presume, build upon the amplitude of this precedent. It would confine the House of Commons to the two functions it can properly perform: the ventilation of grievances and the discussion of general principles of its measures. Its Bills would take the form of general formulae conferring wide powers on the appropriate government departments; and those powers would be exercised by Order in Council which could, if desired, be attacked in the House by means of a vote of no confidence. The necessity and value of delegated legislation has recently been strongly reaffirmed by the Donoughmore Committee; and its extension is inevitable if the process of socialisation is not to be wrecked by the normal methods of obstruction which existing parliamentary procedure sanctions.”

And to make it quite clear that a socialist government must not allow itself to be too much fettered by democratic procedure, Professor Laski at the end of the same article raised the question “whether in a period of transition to Socialism, a Labour Government can risk the overthrow of its measures as a result of the next general election”—and left it significantly unanswered.

8 H. J. Laski, “Labour and the Constitution,” New Statesman and Nation, No. 81 (new ser.), September 10, 1932, p. 277. In a book (Democracy in Crisis [1933], particularly p. 87) in which Professor Laski later elaborated these ideas, his determination that parliamentary democracy must not be allowed to form an obstacle to the realization of socialism is even more plainly expressed: not only would a socialist government “take vast powers and legislate under them by ordinance and decree” and “suspend the classic formulae of normal opposition” but the “continuance of parliamentary government would depend on its [i.e., the Labour government’s] possession of guarantees from the Conservative Party that its work of transformation would not be disrupted by repeal in the event of its defeat at the polls.”

As Professor Laski invokes the authority of the Donoughmore Committee, it may be worth recalling that Professor Laski was a member of that committee and presumably one of the authors of its report.

1 Sidney and Beatrice Webb, Industrial Democracy (1897), p. 800 n.
It is important clearly to see the causes of this admitted ineffectiveness of parliaments when it comes to a detailed administration of the economic affairs of a nation. The fault is neither with the individual representatives nor with parliamentary institutions as such but with the contradictions inherent in the task with which they are charged. They are not asked to act where they can agree, but to produce agreement on everything—the whole direction of the resources of the nation. For such a task the system of majority decision is, however, not suited. Majorities will be found where it is a choice between limited alternatives; but it is a superstition to believe that there must be a majority view on everything. There is no reason why there should be a majority in favor of any one of the different possible courses of positive action if their number is legion. Every member of the legislative assembly might prefer some particular plan for the direction of economic activity to no plan, yet no one plan may appear preferable to a majority to no plan at all.

Nor can a coherent plan be achieved by breaking it up into parts and voting on particular issues. A democratic assembly voting and amending a comprehensive economic plan clause by clause, as it deliberates on an ordinary bill, makes nonsense. An economic plan, to deserve the name, must have a unitary conception. Even if a parliament could, proceeding step by step, agree on some scheme, it would certainly in the end satisfy nobody. A complex whole in which all the parts must be most carefully adjusted to each other cannot be achieved through a compromise between conflicting views. To draw up an economic plan in this fashion is even less possible than, for example, successfully to plan a military campaign by democratic procedure. As in strategy it would become inevitable to delegate the task to the experts.

Yet the difference is that, while the general who is put in charge of a campaign is given a single end to which, for the duration of the campaign, all the means under his control have to be exclusively devoted, there can be no such single goal given to the economic planner, and no similar limitation of the means imposed upon him. The general has not got to balance different independent aims against each other; there is for him only one supreme goal. But the ends of an economic plan, or of any part of it, cannot be defined apart from the particular plan. It is the essence of the economic problem that the making of an economic plan involves the choice between conflicting or competing ends—different needs of different people. But which ends do so conflict, which will have to be sacrificed if we want to achieve certain others, in short, which are the alternatives between which we must choose, can only be known to those who know all the facts; and only they, the experts, are in a position to decide which of the different ends are to be given preference. It is inevitable that they should impose their scale of preferences on the community for which they plan.

This is not always clearly recognized, and delegation is usually justified by the technical character of the task. But this does not mean that only the technical detail is delegated, or even that the inability of parliaments to understand the technical detail is the root of the difficulty.8 Alterations in the

8 It is instructive in this connection briefly to refer to the government document in which in recent years these problems have been discussed. As long as thirteen years ago, that is before England finally abandoned economic liberalism, the process of delegating legislative powers had already been carried to a point where it was felt necessary to appoint a committee to investigate "what safeguards are desirable or necessary to secure the sovereignty of law." In its report the Denhammore Committee (Report of the [Lord Chancellor's] Committee on Ministers' Powers, Cmd. 4060 [1932]) showed that even at that date Parliament had resorted "to the practice of wholesale and indiscriminate delegation" but regarded this (it was before we had really glanced into the totalitarian abyss!) as an inevitably and relatively innocuous development. And it is probably true that delegation as such need not be a danger to freedom. The interesting point is why delegation had become necessary on such a scale. First place among the causes enumerated in the report is given to the fact that "Parliament nowadays passes so many laws every year" and that "much of the detail is so technical as to be un-
structure of civil law are no less technical and no more difficult to appreciate in all their implications; yet nobody has yet seriously suggested that legislation should be delegated to a body of experts. The fact is that in these fields legislation does not go beyond general rules on which true majority agreement can be achieved, while in the direction of economic activity the interests to be reconciled are so divergent that no true agreement is likely to be reached in a democratic assembly.

It should be recognized, however, that it is not the delegation of law-making power as such which is so objectionable. To oppose delegation as such is to oppose a symptom instead of the cause itself, as it may be a necessary result of other causes, to weaken the case. So long as the power that is delegated is merely the power to make general rules, there may be very good reasons why such rules should be laid down by local rather than by the central authority. The objectionable feature is that delegation is so often resorted to because the matter in hand cannot be regulated by general rules but only by the exercise of discretion in the decision of particular cases. In these instances delegation means that some authority is given power to make with the force of law what to all intents and purposes are arbitrary decisions (usually described as “judging the case on its merits”).

The delegation of particular technical tasks to separate bodies, while a regular feature, is yet only the first step in the process whereby a democracy which embarks on planning progressively relinquishes its powers. The expedient of delegation cannot really remove the causes which make all the advocates of comprehensive planning so impatient with the impotence of democracy. The delegation of particular powers to separate agencies creates a new obstacle to the achievement of a single co-ordinated plan. Even if, by this expedient, a democracy should succeed in planning every sector of economic activity, it would still have to face the problem of integrating these separate plans into a unitary whole. Many separate plans do not make a planned whole—in fact, as the planners ought to be the first to admit, they may be worse than no plan. But the democratic legislature will long hesitate to relinquish the decisions on really vital issues, and so long as it does so it makes it impossible for anyone else to provide the comprehensive plan. Yet agreement that planning is necessary, together with the inability of democratic assemblies to produce a plan, will evoke stronger and stronger demands that the government or some single individual should be given powers to act on their own responsibility. The belief is becoming more and more widespread that, if things are to get done, the responsible authorities must be freed from the fetters of democratic procedure.

The cry for an economic dictator is a characteristic stage in the movement toward planning. It is now several years since one of the most acute of foreign students of England, the late Émile Halévy, suggested that, “if you take a composite photograph of Lord Eustace Percy, Sir Oswald Mosley, and Sir Stafford Cripps, I think you would find this common feature—you would find them all agreeing to say: ‘We are living in economic chaos and we cannot get out of it except under some kind of dictatorial leadership.’”

The number of influential public men whose inclusion would not materially alter

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suitable for Parliamentary discussion.” But if this were all there would be no reason why the detail should not be worked out before rather than after Parliament passes a law. What is probably in many cases a much more important reason why, “if Parliament were not willing to delegate law-making power, Parliament would be unable to pass the kind and quantity of legislation which public opinion requires” is incoherently revealed in the phrase that “many of the laws affect people’s lives so closely that elasticity is essential.” What does this mean if not conferment of arbitrary power—power limited by no fixed principles and which in the opinion of Parliament cannot be limited by definite and unambiguous rules?

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the features of the “composite photograph” has since grown considerably.

In Germany, even before Hitler came into power, the movement had already progressed much further. It is important to remember that, for some time before 1933, Germany had reached a stage in which it had, in effect, had to be governed dictatorially. Nobody could then doubt that for the time being democracy had broken down and that sincere democrats like Brüning were no more able to govern democratically than Schleicher or von Papen. Hitler did not have to destroy democracy; he merely took advantage of the decay of democracy and at the critical moment obtained the support of many to whom, though they detested Hitler, he yet seemed the only man strong enough to get things done.

The argument by which the planners usually try to reconcile us with this development is that, so long as democracy retains ultimate control, the essentials of democracy are not affected. Thus Karl Mannheim writes:

“The only [sic] way in which a planned society differs from that of the nineteenth century is that more and more spheres of social life, and ultimately each and all of them, are subjected to state control. But if a few controls can be held in check by parliamentary sovereignty, so can many. . . . In a democratic state sovereignty can be boundlessly strengthened by plenary powers without renouncing democratic control.”

This belief overlooks a vital distinction. Parliament can, of course, control the execution of tasks where it can give definite directions, where it has first agreed on the aim and merely delegates the working-out of the detail. The situation is entirely different when the reason for the delegation is that there is no real agreement on the ends, when the body charged with the planning has to choose between ends of whose conflict parliament is not even aware, and when the most that can be done is to present to it a plan which has to be accepted or rejected as a whole. There may and probably will be criticism; but as no majority can agree on an alternative plan, and the parts objected to can almost always be represented as essential parts of the whole, it will remain quite ineffective. Parliamentary discussion may be retained as a useful safety valve and even more as a convenient medium through which the official answers to complaints are disseminated. It may even prevent some flagrant abuses and successfully insist on particular shortcomings being remedied. But it cannot direct. It will at best be reduced to choosing the persons who are to have practically absolute power. The whole system will tend toward that plebiscitarian dictatorship in which the head of the government is from time to time confirmed in his position by popular vote, but where he has all the powers at his command to make certain that the vote will go in the direction he desires.

It is the price of democracy that the possibilities of conscious control are restricted to the fields where true agreement exists and that in some fields things must be left to chance. But in a society which for its functioning depends on central planning, this control cannot be made dependent on a majority’s being able to agree; it will often be necessary that the will of a small minority be imposed upon the people, because this minority will be the largest group able to agree among themselves on the question at issue. Democratic government has worked successfully where, and so long as, the functions of government were, by a widely accepted creed, restricted to fields where agreement among a majority could be achieved by free discussion; and it is the great merit of the liberal creed that it reduced the range of subjects on which agreement was necessary to one on which it was likely to exist in a society of free men. It is now often said that democracy will not tolerate “capitalism.” If “capitalism” means here a competitive sys-

THE ROAD TO SERFDOM

tem based on free disposal over private property, it is far more important to realize that only within this system is democracy possible. When it becomes dominated by a collectivist creed, democracy will inevitably destroy itself.

We have no intention, however, of making a fetish of democracy. It may well be true that our generation talks and thinks too much of democracy and too little of the values which it serves. It cannot be said of democracy, as Lord Acton truly said of liberty, that it "is not a means to a higher political end. It is itself the highest political end. It is not for the sake of a good public administration that it is required, but for the security in the pursuit of the highest objects of civil society, and of private life." Democracy is essentially a means, a utilitarian device for safeguarding internal peace and individual freedom. As such it is by no means infallible or certain. Nor must we forget that there has often been much more cultural and spiritual freedom under an autocratic rule than under some democracies—and it is at least conceivable that under the government of a very homogeneous and doctrinaire majority democratic government might be as oppressive as the worst dictatorship. Our point, however, is not that dictatorship must inevitably extirpate freedom but rather that planning leads to dictatorship because dictatorship is the most effective instrument of coercion and the enforcement of ideals and, as such, essential if central planning on a large scale is to be possible. The clash between planning and democracy arises simply from the fact that the latter is an obstacle to the suppression of freedom which the direction of economic activity requires. But in so far as democracy ceases to be a guaranty of individual freedom, it may well persist in some form under a totalitarian regime. A true "dictatorship of the proletariat," even if democratic in form, if it undertook centrally to direct the economic system, would probably destroy personal freedom as completely as any autocracy has ever done.

The fashionable concentration on democracy as the main value threatened is not without danger. It is largely responsible for the misleading and unfounded belief that, so long as the ultimate source of power is the will of the majority, the power cannot be arbitrary. The false assurance which many people derive from this belief is an important cause of the general unawareness of the dangers which we face. There is no justification for the belief that, so long as power is conferred by democratic procedure, it cannot be arbitrary; the contrast suggested by this statement is altogether false: it is not the source but the limitation of power which prevents it from being arbitrary. Democratic control may prevent power from becoming arbitrary, but it does not do so by its mere existence. If democracy resolves on a task which necessarily involves the use of power which cannot be guided by fixed rules, it must become arbitrary power.

PLANNING AND DEMOCRACY
VII
ECONOMIC CONTROL AND TOTALITARIANISM

The control of the production of wealth is the control of human life itself.—Hilaire Belloc.

Most planners who have seriously considered the practical aspects of their task have little doubt that a directed economy must be run on more or less dictatorial lines. That the complex system of interrelated activities, if it is to be consciously directed at all, must be directed by a single staff of experts, and that ultimate responsibility and power must rest in the hands of a commander-in-chief whose actions must not be fettered by democratic procedure, is too obvious a consequence of underlying ideas of central planning not to command fairly general assent. The consolation our planners offer us is that this authoritarian direction will apply "only" to economic matters. One of the most prominent economic planners, Stuart Chase, assures us, for instance, that in a planned society "political democracy can remain if it confines itself to all but economic matter." Such assurances are usually accompanied by the suggestion that, by giving up freedom in what are, or ought to be, the less important aspects of our lives, we shall obtain greater freedom in the pursuit of higher values. On this ground people who abhor the idea of a political dictatorship often clamor for a dictator in the economic field.

The arguments used appeal to our best instincts and often attract the finest minds. If planning really did free us from the less important cares and so made it easier to render our existence one of plain living and high thinking, who would wish to belittle such an ideal? If our economic activities really concerned only the inferior or even more sordid sides of life, of course we ought to endeavor by all means to find a way to relieve ourselves from the excessive care for material ends and, leaving them to be cared for by some piece of utilitarian machinery, set our minds free for the higher things of life.

Unfortunately, the assurance people derive from this belief that the power which is exercised over economic life is a power over matters of secondary importance only, and which makes them take lightly the threat to the freedom of our economic pursuits, is altogether unwarranted. It is largely a consequence of the erroneous belief that there are purely economic ends separate from the other ends of life. Yet, apart from the pathological case of the miser, there is no such thing. The ultimate ends of the activities of reasonable beings are never economic. Strictly speaking, there is no "economic motive" but only economic factors conditioning our striving for other ends. What in ordinary language is misleadingly called the "economic motive" means merely the desire for general opportunity, the desire for power to achieve unspecified ends. If we strive for money, it is because it offers us the widest choice in enjoying the fruits of our efforts. Because in modern society it is through the limitation of our money incomes that we are made to feel the restrictions which our relative poverty still imposes upon us, many have come to hate money as the symbol of these restrictions. But this is to mistake for the cause the medium through which a force makes itself felt. It would be much truer to say that money is one of the greatest instruments of freedom ever invented by man. It is money which in existing society opens an astounding range of choice to the poor man—a range.

1 Cf. Lionel Robbins, The Economic Causes of War (1939), Appendix.
greater than that which not many generations ago was open to the wealthy. We shall better understand the significance of this service of money if we consider what it would really mean if, as so many socialists characteristically propose, the "pecuniary motive" were largely displaced by "neneconomic incentives." If all rewards, instead of being offered in money, were offered in the form of public distinctions or privileges, positions of power over other men, or better housing or better food, opportunities for travel or education, this would merely mean that the recipient would no longer be allowed to choose and that whoever fixed the reward determined not only its size but also the particular form in which it should be enjoyed.

Once we realize that there is no separate economic motive and that an economic gain or economic loss is merely a gain or a loss where it is still in our power to decide which of our needs or desires shall be affected, it is also easier to see the important kernel of truth in the general belief that economic matters affect only the less important ends of life and to understand the contempt in which "merely" economic considerations are often held. In a sense this is quite justified in a market economy—but only in such a free economy. So long as we can freely dispose over our income and all our possessions, economic loss will always deprive us only of what we regard as the least important of the desires we were able to satisfy. A "merely" economic loss is thus one whose effect we can still make fall on our less important needs, while when we say that the value of something we have lost is much greater than its economic value, or that it cannot even be estimated in economic terms, this means that we must bear the loss where it falls. And similarly with an economic gain. Economic changes, in other words, usually affect only the fringe, the "margin," of our needs. There are many things which are more important than anything which economic gains or losses are likely to affect,

which for us stand high above the amenities and even above many of the necessities of life which are affected by the economic ups and downs. Compared with them, the "filthy lucre," the question whether we are economically somewhat worse or better off, seems of little importance. This makes many people believe that anything which, like economic planning, affects only our economic interests cannot seriously interfere with the more basic values of life.

This, however, is an erroneous conclusion. Economic values are less important to us than many things precisely because in economic matters we are free to decide what to us is more, and what less, important. Or, as we might say, because in the present society it is we who have to solve the economic problems of our lives. To be controlled in our economic pursuits means to be always controlled unless we declare our specific purpose. Or, since when we declare our specific purpose we shall also have to get it approved, we should really be controlled in everything.

The question raised by economic planning is, therefore, not merely whether we shall be able to satisfy what we regard as our more or less important needs in the way we prefer. It is whether it shall be we who decide what is more, and what is less, important for us, or whether this is to be decided by the planner. Economic planning would not affect merely those of our marginal needs that we have in mind when we speak contemptuously about the merely economic. It would, in effect, mean that we as individuals should no longer be allowed to decide what we regard as marginal.

The authority directing all economic activity would control not merely the part of our lives which is concerned with inferior things; it would control the allocation of the limited means for all our ends. And whoever controls all economic activity controls the means for all our ends and must therefore decide which are to be satisfied and which not. This is really the crux
of the matter. Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever has sole control of the means must also determine which ends are to be served, which values are to be rated higher and which lower—in short, what men should believe and strive for. Central planning means that the economic problem is to be solved by the community instead of by the individual; but this involves that it must also be the community, or rather its representatives, who must decide the relative importance of the different needs.

The so-called economic freedom which the planners promise us means precisely that we are to be relieved of the necessity of solving our own economic problems and that the bitter choices which this often involves are to be made for us. Since under modern conditions we are for almost everything dependent on means which our fellow-men provide, economic planning would involve direction of almost the whole of our life. There is hardly an aspect of it, from our primary needs to our relations with our family and friends, from the nature of our work to the use of our leisure, over which the planner would not exercise his "conscious control."²

The power of the planner over our private lives would be no less complete if he chose not to exercise it by direct control of

²The extent of the control over all life that economic control confers is nowhere better illustrated than in the field of foreign exchange. Nothing would at first seem to affect private life less than a state control of the dealings in foreign exchange, and most people will regard its introduction with complete indifference. Yet the experience of most Continental countries has taught thoughtful people to regard this step as the decisive advance on the path to totalitarianism and the suppression of individual liberty. It is, in fact, the complete delivery of the individual to the tyranny of the state, the final suppression of all means of escape—not merely for the rich but for everybody. Once the individual is no longer free to travel, no longer free to buy foreign books or journals, once all the means of foreign contact can be restricted to those of whom official opinion approves or for whom it is regarded as necessary, the effective control of opinion is much greater than that ever exercised by any of the absolutist governments of the seventeenth and eighteenth centuries.

ECONOMIC CONTROL AND TOTALITARIANISM

our consumption. Although a planned society would probably to some extent employ rationing and similar devices, the power of the planner over our private lives does not depend on this and would be hardly less effective if the consumer were nominally free to spend his income as he pleased. The source of this power over all consumption which in a planned society the authority would possess would be its control over production.

Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his mercy. And an authority directing the whole economic system would be the most powerful monopolist conceivable. While we need probably not to be afraid that such an authority would exploit this power in the manner in which a private monopolist would do so, while its purpose would presumably not be the extortion of maximum financial gain, it would have complete power to decide what we are to be given and on what terms. It would not only decide what commodities and services were to be available and in what quantities; it would be able to direct their distribution between districts and groups and could, if it wished, discriminate between persons to any degree it liked. If we remember why planning is advocated by most people, can there be much doubt that this power would be used for the ends of which the authority approves and to prevent the pursuits of ends which it disapproves?

The power conferred by the control of production and prices is almost unlimited. In a competitive society the prices we have to pay for a thing, the rate at which we can get one thing for another, depend on the quantities of other things of which by taking one, we deprive the other members of society. This price is not determined by the conscious will of anybody. And if one way of achieving our ends proves too expensive for us, we are free to try other ways. The obstacles in our path are not due to someone's disapproving of our ends but to the fact that
the same means are also wanted elsewhere. In a directed economy, where the authority watches over the ends pursued, it is certain that it would use its powers to assist some ends and to prevent the realization of others. Not our own view, but somebody else’s, of what we ought to like or dislike would determine what we should get. And since the authority would have the power to thwart any efforts to elude its guidance, it would control what we consume almost as effectively as if it directly told us how to spend our income.

Not only in our capacity as consumers, however, and not even mainly in that capacity, would the will of the authority shape and “guide” our daily lives. It would do so even more in our position as producers. These two aspects of our lives cannot be separated; and as for most of us the time we spend at our work is a large part of our whole lives, and as our job usually also determines the place where and the people among whom we live, some freedom in choosing our work is, probably, even more important for our happiness than freedom to spend our income during the hours of leisure.

No doubt it is true that even in the best of worlds this freedom will be very limited. Few people ever have an abundance of choice of occupation. But what matters is that we have some choice, that we are not absolutely tied to a particular job which has been chosen for us, or which we may have chosen in the past, and that if one position becomes quite intolerable, or if we set our heart on another, there is almost always a way for the able, some sacrifice at the price of which he may achieve his goal. Nothing makes conditions more unbearable than the knowledge that no effort of ours can change them; and even if we should never have the strength of mind to make the necessary sacrifice, the knowledge that we could escape if we only strove hard enough makes many otherwise intolerable positions bearable.

ECONOMIC CONTROL AND TOTALITARIANISM

This is not to say that in this respect all is for the best in our present world, or has been so in the most liberal past, and that there is not much that could be done to improve the opportunities of choice open to the people. Here as elsewhere the state can do a great deal to help the spreading of knowledge and information and to assist mobility. But the point is that the kind of state action which really would increase opportunity is almost precisely the opposite of the “planning” which is now generally advocated and practiced. Most planners, it is true, promise that in the new planned world free choice of occupation will be scrupulously preserved or even increased. But there they promise more than they can possibly fulfill. If they want to plan, they must control the entry into the different trades and occupations, or the terms of remuneration, or both. In almost all known instances of planning, the establishment of such controls and restrictions was among the first measures taken. If such control were universally practiced and exercised by a single planning authority, one needs little imagination to see what would become of the “free choice of occupation” promised. The “freedom of choice” would be purely fictitious, a mere promise to practice no discrimination where in the nature of the case discrimination must be practiced, and where all one could hope would be that the selection would be made on what the authority believed to be objective grounds.

There would be little difference if the planning authority confined itself to fixing the terms of employment and tried to regulate numbers by adjusting these terms. By prescribing the remuneration, it would no less effectively bar groups of people from entering many trades than by specifically excluding them. A rather plain girl who badly wants to become a saleswoman, a weakly boy who has set his heart on a job where his weakness handicaps him, as well as in general the apparently less able or less suitable are not necessarily excluded.
in a competitive society; if they value the position sufficiently
they will frequently be able to get a start by a financial sacrifice
and will later make good through qualities which at first are
not so obvious. But when the authority fixes the remunerations
for a whole category and the selection among the candidates
is made by an objective test, the strength of their desire for the
job will count for very little. The person whose qualifications
are not of the standard type, or whose temperament is not of
the ordinary kind, will no longer be able to come to special ar-
rangements with an employer whose dispositions will fit in
with his special needs: the person who prefers irregular hours
or even a happy-go-lucky existence with a small and perhaps
uncertain income to a regular routine will no longer have the
choice. Conditions will be without exception what in some
measure they inevitably are in a large organization—or rather
worse, because there will be no possibility of escape. We shall
no longer be free to be rational or efficient only when and
where we think it worth while; we shall all have to conform to
the standards which the planning authority must fix in order
to simplify its task. To make this immense task manageable, it
will have to reduce the diversity of human capacities and in-
clinations to a few categories of readily interchangeable units
and deliberately to disregard minor personal differences.

Although the professed aim of planning would be that man
should cease to be a mere means, in fact—since it would be
impossible to take account in the plan of individual likes and dis-
likes—the individual would more than ever become a mere
means, to be used by the authority in the service of such abstrac-
tions as the “social welfare” or the “good of the com-

That in a competitive society most things can be had at a
price—though it is often a cruelly high price we have to pay—
is a fact the importance of which can hardly be overrated. The

ECONOMIC CONTROL AND TOTALITARIANISM

alternative is not, however, complete freedom of choice, but
orders and prohibitions which must be obeyed and, in the last
resort, the favor of the mighty.

It is significant of the confusion prevailing on all these sub-
jects that it should have become a cause for reproach that in a
competitive society almost everything can be had at a price. If
the people who protest against having the higher values of life
brought into the “cash nexus” really mean that we should not
be allowed to sacrifice our lesser needs in order to preserve the
higher values, and that the choice should be made for us, this
demand must be regarded as rather peculiar and scarcely testi-
ifies to great respect for the dignity of the individual. That life
and health, beauty and virtue, honor and peace of mind, can
often be preserved only at considerable material cost, and that
somebody must make the choice, is as undeniable as that we all
are sometimes not prepared to make the material sacrifices
necessary to protect those higher values against all injury.

To take only one example: We could, of course, reduce casu-
alties by automobile accidents to zero if we were willing to
bear the cost—if in no other way—by abolishing automobiles.
And the same is true of thousands of other instances in which
we are constantly risking life and health and all the fine values
of the spirit, of ourselves and of our fellow-men, to further what
we at the same time contemptuously describe as our material
comfort. Nor can it be otherwise, since all our ends compete
for the same means; and we could not strive for anything but
these absolute values if they were on no account to be en-
dangered.

That people should wish to be relieved of the bitter choice
which hard facts often impose upon them is not surprising. But
few want to be relieved through having the choice made for
them by others. People just wish that the choice should not be
necessary at all. And they are only too ready to believe that
the choice is not really necessary, that it is imposed upon them
THE ROAD TO SERFDOM

merely by the particular economic system under which we live. What they resent is, in truth, that there is an economic problem.

In their wishful belief that there is really no longer an economic problem people have been confirmed by irresponsible talk about “potential plenty” — which, if it were a fact, would indeed mean that there is no economic problem which makes the choice inevitable. But although this snare has served socialist propaganda under various names as long as socialism has existed, it is still as palpably untrue as it was when it was first used over a hundred years ago. In all this time not one of the many people who have used it has produced a workable plan of how production could be increased so as to abolish even in Western Europe what we regard as poverty — not to speak of the world as a whole. The reader may take it that whoever talks about potential plenty is either dishonest or does not know what he is talking about. Yet it is this false hope as much as anything which drives us along the road to planning.

While the popular movement still profits by this false belief, the claim that a planned economy would produce a substantially larger output than the competitive system is being progressively abandoned by most students of the problem. Even a

*1* To justify these strong words, the following conclusions may be quoted at which Colin Clark, one of the best known among the younger economic statisticians and a man of undoubted progressive views and a strictly scientific outlook, has arrived in his *Conditions of Economic Progress* (1940): The “old-repeated phrases about poverty in the midst of plenty, and the problems of production having already been solved if only we understood the problem of distribution, turn out to be the most untruthful of all modern clichés. . . . The under-utilization of productive capacity is a question of considerable importance only in the U.S.A., though in certain years also it has been of some importance in Great Britain, Germany and France, but for most of the world it is entirely subsidiary to the more important fact that, with productive resources fully employed, they can produce so little. The age of plenty will still be a long while in coming. . . . If preventable unemployment were eliminated throughout the trade cycle, this would mean a distinct improvement in the standard of living of the population of the U.S.A., but from the standpoint of the world as a whole it would only make a small contribution towards the much greater problem of raising the real income of the bulk of the world population to anything like a civilized standard” (pp. 3–4).

ECONOMIC CONTROL AND TOTALITARIANISM

good many economists with socialist views who have seriously studied the problems of central planning are now content to hope that a planned society will equal the efficiency of a competitive system; they advocate planning no longer because of its superior productivity but because it will enable us to secure a more just and equitable distribution of wealth. This is, indeed, the only argument for planning which can be seriously pressed. It is indisputable that if we want to secure a distribution of wealth which conforms to some predetermined standard, if we want consciously to decide who is to have what, we must plan the whole economic system. But the question remains whether the price we should have to pay for the realization of somebody’s ideal of justice is not bound to be more discontent and more oppression than was ever caused by the much-abused free play of economic forces.

We should be seriously deceiving ourselves if for these apprehensions we sought comfort in the consideration that the adoption of central planning would merely mean a return, after a brief spell of a free economy, to the tics and regulations which have governed economic activity through most ages, and that therefore the infringements of personal liberty need not be greater than they were before the age of laissez faire. This is a dangerous illusion. Even during the period of European history when the regimentation of economic life went furthest, it amounted to little more than the creation of a general and semipermanent framework of rules within which the individual preserved a wide free sphere. The apparatus of control then available would not have been adequate to impose more than very general directions. And even where the control was most complete it extended only to those activities of a person through which he took part in the social division of labor. In the much wider sphere in which he then still lived on his own products, he was free to act as he chose.
The situation is now entirely different. During the liberal era the progressive division of labor has created a situation where almost every one of our activities is part of a social process. This is a development which we cannot reverse, since it is only because of it that we can maintain the vastly increased population at anything like present standards. But, in consequence, the substitution of central planning for competition would require central direction of a much greater part of our lives than was ever attempted before. It could not stop at what we regard as our economic activities, because we are now for almost every part of our lives dependent on somebody else’s economic activities. The passion for the “collective satisfaction of our needs,” with which our socialists have so well prepared the way for totalitarianism, and which wants us to take our pleasures as well as our necessities at the appointed time and in the prescribed form, is, of course, partly intended as a means of political education. But it is also the result of the exigencies of planning, which consists essentially in depriving us of choice, in order to give us whatever fits best into the plan and that at a time determined by the plan.

It is often said that political freedom is meaningless without economic freedom. This is true enough, but in a sense almost opposite from that in which the phrase is used by our planners. The economic freedom which is the prerequisite of any other freedom cannot be the freedom from economic care which the socialists promise us and which can be obtained only by relieving the individual at the same time of the necessity and of the power of choice; it must be the freedom of our economic activity which, with the right of choice, inevitably also carries the risk and the responsibility of that right.

It is no accident that in the totalitarian countries, be it Russia or Germany or Italy, the question of how to organize the people’s leisure has become a problem of planning. The Germans have even invented for this problem the horrible and self-contradictory name of Freizeitgestaltung (literally: the shaping of the use made of the people’s free time), as if it were still “free time” when it has to be spent in the way ordained by authority.

VIII

WHO, WHOM?

The finest opportunity ever given to the world was thrown away because the passion for equality made vain the hope for freedom. — LORD ACTON.

It is significant that one of the commonest objections to competition is that it is “blind.” It is not irrelevant to recall that to the ancients blindness was an attribute of their deity of justice. Although competition and justice may have little else in common, it is as much a commendation of competition as of justice that it is no respecter of persons. That it is impossible to foretell who will be the lucky ones or whom disaster will strike, that rewards and penalties are not shared out according to somebody’s views about the merits or demerits of different people but depend on their capacity and their luck, is as important as that, in framing legal rules, we should not be able to predict which particular person will gain and which will lose by their application. And this is nonetheless true, because in competition chance and good luck are often as important as skill and foresight in determining the fate of different people.

The choice open to us is not between a system in which everybody will get what he deserves according to some absolute and universal standard of right, and one where the individual shares are determined partly by accident or good or ill chance, but between a system where it is the will of a few persons that decides who is to get what, and one where it depends at least partly on the ability and enterprise of the people con-