

Encounter, June 1958, p. 69-70 MP letter

(Letter about Colin Clark, "What's wrong with economics?", Encounter, April 1958, p. 15-23)

I THINK that Mr. Colin Clark, in your April issue, is mistaken in attributing the abolition of unemployment in Soviet Russia in 1930 to the compulsory direction of labour.

Unemployment vanished because the floods of money pumped into enterprises by the inception of the Five Year Plans created an ubiquitous demand for labour. Direction was imposed only afterwards, in order to counteract the excessive turnover of labour due to the intense competition of rival enterprises for available workers.

A similar story can be told on a less dramatic scale of the post-war Labour government.

Unemployment was eliminated by an increased flow of money, the origins of which are still not quite clear in this case. Then, as this flow produced undesirable inflationary side effects, the government stepped in to control circulation at various points. And here again, a public obsessed with the phantom of economic planning greeted (or execrated) these controlling measures as vigorous actions for 'planning full employment.'

In later years, both the Soviets and the British government have learned to sustain a sufficient circulation of money without any great overflow of it. So both countries could gradually abandon most of the previously practised restrictions on the spending of money. As far as Britain is concerned, the excitement about the supposed blessings (or crippling servitudes) of economic planning soon subsided; but this has not been the case in our relation to similar events in Soviet Russia. Though Russian textbooks of economics, and the current theoretical discussion among Russian economists, show how precarious has become the Soviet claim to have replaced commercial guidance of enterprises by a radically different "socialist" management, Western propaganda continues to accuse the Soviet government of having done precisely this. Our attacks may well prove to be the principal support of the government's socialist prestige to-day.

Western propaganda is twofold. It insists that the Soviet economic system is an embodiment of Socialism; and it goes on to assert that all the horrors of the regime are inevitable accompaniments of this Socialism. But it seems unlikely that this obscure warning has frightened away many people from supporting the Communist camp. Indeed, it has been music in the ears of the leaders of rebellious masses the world over. They heard themselves

proclaimed to occupy the sery position to which they aspired. They felt confirmed in their role as unscrupulous benefactors of mankind; as modern scientifically-minded revolutionaries, scorning liberal humanitarianism. Every violence to which they might yet be tempted was sanctioned here in advance, out of the very mouths of their enemies, in the name of Socialism.

We should try to assist Communist opinion in achieving a more sober assessment of its aspirations, rather than reinforce its illusory claims by our responding alarms.

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