

The Corruption of Capitalism

S. W. ALEXANDER

S. W. Alexander was private secretary to the late Lord Beaverbrook and financial editor of all his newspapers. He resigned because of Beaverbrook's protectionist policies. He owned and edited the City Press for many years.

THE CRISIS which confronts us is the crisis of capitalism. It is a crisis which results from the injustices imported into the British economy by the adoption of protectionist capitalism. It is a form of capitalism which provides unearned privileges by tariffs, quotas, subsidies and other devices for powerful sectional interests at the expense of consumers and taxpayers.

It is this form of capitalism which has discredited capitalism as a whole and provided much ground for socialist and communist condemnation of capitalism.

Since the end of the first world war when the protectionist policies were readopted primarily against Germany, thus contributing seeds for the second world war, protectionism in Britain has expanded on an immense scale. This protectionism has created the monopolies and price rings of capital and labour and over the period of fifty years has driven out of business hundreds of thousands of units of trade and industry.

With the decline of the number of smaller units under the control of self reliant master men the giants which have been primarily responsible for pressures making for Common Market entry have had a powerful influence on government policies. Variety and quality in production have been reduced in great measure and mass production has become so inefficient in relation to the market immediately available as to cause the big organisations to seek larger easy markets.

With the serious reduction in the numbers of units of industry, working people have been deprived of many opportunities for alternative employment.

The protectionist policy has been also in large measure responsible for the growth of the desire for government intervention in industry and nationalisation has come to be regarded by some as

the alternative to what is felt to be an unjust capitalist society.

Nationalisation, however, involves risks and burdens being imposed upon taxpayers. They are not people accustomed to the carrying of risks and accordingly nationalisation is an unjust imposition. Such burdens and risks should be carried only by willing risk bearers who are also prepared not only to take the rewards of success but to accept the penalties for failure.

The effect of protectionist policies on the ownership of agricultural land has also been disastrous. Ownership has been concentrated in fewer hands and in some instances into the hands of large corporations. This, contrary to the powerful propaganda of the great vested interests concerned, has not contributed to efficiency. Agricultural land owners have over many years received in the form of direct or indirect subsidisation sums aggregating many thousands of millions of pounds.

As with other industries large numbers of smaller people have left the land. This total loss of independent people throughout the country is a serious matter. It is a loss which makes for political instability brought about in large measure by concentration of ownership in powerful capitalist groups opposed by other groups. Wider share ownership in which no responsibility rests on the owners of the shares is no substitute for a large number of self responsible individuals. It is not also without significance that in the struggle for survival in a truly free economy, quality, character and merit must come to the front and almost invariably the medium sized and smaller units are more efficient than the giant corporations with their headquarters very often far from the centre of operations.

Concentration of production for

the home market as a result of protectionist policies has so increased costs for industries operating in world markets that they are no longer competitive. Our mercantile marine which formerly provided our largest invisible export has been reduced by the protectionist policy to a position where, after deducting from the earnings of British ships the payments made to overseas owners for their services, there is now a substantial deficit on our shipping account.

The effect on our economy of protectionist policies is also seen in the important change in our relationship with continental countries in the past near sixty years. British ports then provided the gateway to Europe. Our re-exports, largely to Europe, totalled £109,000,000. Translated into modern money that would amount on a very conservative basis to £1,090,000,000. European ports are now the gateway to Britain and our re-exports are so low that they are not separately recorded. These changes are the direct result of protectionism.



One of the reasons presented to the people for our Common Market entry was that London would become the financial centre for Europe and that our invisible exports would flourish. The answer is that no place can be a great financial centre if its currency collapses and our invisible exports must decline. Invisible exports have been our most valuable exports. They require no imported raw materials. They require an honest currency and the skill and integrity of the relatively few men engaged in insurance, banking and other valuable activities. If the invisibles collapse completely the condition of the British people will become parlous indeed.

It is abundantly evident that if the pound collapses all the State Welfare services will also collapse.

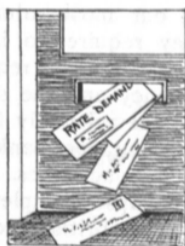
The money paid out in unemployment relief, family allowances, supplementary benefits and money provided for hospitals, education and other state services will have little or no value.

The cost of imported raw materials for the factories will be prohibitive and unemployment will increase on an unprecedented scale. People will say that cannot happen here. It can and it will unless drastic measures are taken.

Some politicians have expressed the opinion that inflation will have to be dealt with gradually, over a period of years. The situation cannot be dealt with in that way. Immediate action is essential. The first requirement is that the value of the people's wages must be allowed to improve. This cannot be done by subsidies or any other devices. It has to be done by permitting the people once more to buy from the whole world and to take advantage of abundance whenever it arises.

During the referendum campaign, politicians told the public that never again would the British people be able to buy cheap food. Those politicians supported a deliberate dear food policy. They did so in the interests of continental and British producers. And while they were misleading the public, Australian beef producers were slaughtering cattle which were not being bought by Britain. At the same time, members of the International Wheat Council were predicting record grain harvests in northern hemispheres including Russia.

A second requirement is that local authorities should be prohibited from raising money in the form of loans. This prohibition will cause ratepayers to look more seriously at what is done with



their money. The elimination of the demands of local authorities for money will release money for

productive purposes and help to reduce interest rates and the burdens on ratepayers.

Government itself should begin a process of denationalisation. Nationalised industries should be offered for sale to the public and to trade unions and other organisations. There is a price at which all these assets can be sold. The need is that the burdens on the taxpayers should be eliminated.

All foreign aid payments should cease. So long as peoples in other countries receive monies without any consideration for real services rendered, the question of their own credit worthiness is not of importance to them. Loans through normal business channels require that the recipients be creditworthy. That is a vital consideration in the conduct of the affairs of nations as it is with individuals.

Another important requirement is that the people should no longer be compelled to pay for things that they do not want. They should be able to keep out of the national health service, unemployment, education and other charges if they so wish and the deduction from their wage packets adjusted accordingly.

It has been proved that unemployment payments themselves create unemployment. Accordingly, the right has to be restored to the people to enter into any trade or activity for which they are suitable regardless of trades unions and trade associations of any kind. It is morally wrong that any man should continue to deprive others of the opportunity of offering their services in the market place. This may lead to lower wages in terms of the present paper money. But lower wages with cheaper imports can in fact, result in higher real wages in terms of purchasing power. This contrasts with the current trend towards more paper money of less and less value. Out of this development will also arise a situation where rewards for labour will depend more and more on character, quality and skill than on the power of organisations which, in this respect, causes grave injustices and the departure of the most skilled people from the country.

Together with this change in the

labour situation there has to be greater mobility of labour. That means that the housing problem has to be solved. The cessation



of local authority borrowing should compel the sale of houses by local authorities which resources should go to the repayment of debt. But there also has to be complete freedom restored to the housing market. In that event it will be found that in many areas there is already abundant housing supply. Prices and rents may well fall. In very few areas will it be found that housing is insufficient and if prices are allowed to be free any shortage will be quickly supplied. It will be said that these proposals are quite impossible. Some will say that they can be only brought about by a dictatorship. The answer is that a dictator may not be the kind of person who does things in this way. Parliament alone must decide what has to be done but nothing can be done to save the situation without an informed public opinion. Leadership has to be provided by men of quality and proved integrity. The behaviour and example of honest men provide the seeds of excellence. That is what is required. And when the seeds of excellence are sown it will be recognised that the family is more valuable and can do more for the people than any action by the State. The mixed economy has failed and must be abandoned. The function of the State should be to keep law and order and to provide for the defence of the Realm. Today the State tries to do far too much and fails to do well the work which is its proper function. Without economic strength Britain can have no influence in Europe or elsewhere, and economic strength can be only restored by the natural processes inherent in a truly free economy.