

A PLANNED ECONOMY
OR
FREE ENTERPRISE

The Lessons of History

BY
E. LIPSON

“ There is no new thing under the sun.”

ECCLESIASTES

ADAM & CHARLES BLACK
4, 5 & 6 SOHO SQUARE LONDON W.1

1944

BY THE SAME AUTHOR

THE ECONOMIC HISTORY OF ENGLAND

Vol. I. The Middle Ages. *Seventh edition*

Vols. II & III. The Age of Mercantilism. *Third edition*

EUROPE IN THE XIXTH CENTURY

1815-1914

Sixth edition

EUROPE 1914-1939

Second edition

ADAM AND CHARLES BLACK : LONDON

MADE IN GREAT BRITAIN
PRINTED BY R. & R. CLARK, LIMITED, EDINBURGH

PREFACE

I HAVE long been convinced that the historical method of approach can make its own contribution to the discussion of current issues—partly because it enables us to take long-term views, and to discern the design of the pattern in the apparently chaotic movements of the human shuttle; and partly because we may not only derive inspiration from the experiences of the past but also profit by their salutary warnings. This book therefore endeavours to ascertain what light our history can throw upon the situation in which we find ourselves to-day.

I have given an account of England's first planned economy with some degree of fullness in order to draw attention to the many illuminating parallels between our own and former times, for the continuity of economic development makes the past in a sense the mirror in which the present in its essentials is reflected. Many of our problems—unemployment, the balance of trade, the maintenance of agriculture, the relations between the state and private enterprise—are not new problems; and to see them in their historical setting may assist us in our search for a solution. At the same time I have taken the opportunity to lay before the reader a picture of the older English society differing in many material respects from that which has become traditional.

In the concluding chapter I have attempted to apply the lessons of history in outlining a programme of post-war reconstruction. This programme is not offered as a complete expression of our aspirations for the future social order. It is a complex of practical objectives in harmony with the underlying trends of our national growth, representing an instalment which lies within our immediate compass, and on which a substantial measure of agreement may be possible.

As this book is designed for the general reader, references have been omitted; for the statements made in chapters II-IV full documentation will be found in my *Economic History of England*, Vols. II & III ("The Age of Mercantilism"). It is proper to say that these chapters are adapted from the Introduction newly added to Vol. II of that History. I have drawn, in chapter V, upon some paragraphs in my book, *Europe 1914-1939*.

For permission to reproduce (in Appendix II) an Article which I contributed to the columns of *The Times*, my acknowledgments are due to the Editor.

E. LIPSON

May 1944

CONTENTS

CHAPTER	PAGE
I. INTRODUCTION	I
II. ENGLAND'S FIRST PLANNED ECONOMY	23
1. INDUSTRY	25
2. COMMERCE	42
3. AGRICULTURE	63
III. THE GROWTH OF FREE ENTERPRISE	77
1. THE EVOLUTION OF A CAPITALIST SYSTEM OF INDUSTRY	77
2. THE EVOLUTION OF AN INTERNATIONAL MARKET	121
3. THE 'INDUSTRIAL REVOLUTION'	131
IV. THE TRIUMPH OF FREE ENTERPRISE	139
1. STABILITY (153-1660)	139
2. THE TREND OF FREE TRADE (1660-1800)	150
3. THE REACTION OF FREE TRADE (1800-1918)	165
V. BETWEEN THE TWO WORLD WARS (1919-39)	170
1. EFFECTS OF THE FIRST WORLD WAR ON GREAT BRITAIN	170
2. THE GREAT DEPRESSION 1929-33	185
3. THE SUSPENSION OF THE GOLD STANDARD	197
4. THE BALANCE OF INTERNATIONAL PAYMENTS	206
5. THE ABANDONMENT OF FREE TRADE	209
6. RECOVERY	216
7. THE REVIVAL OF ECONOMIC NATIONALISM IN EUROPE	219
8. THE GERMAN EXAMPLE	228
VI. A RECONSTRUCTION PROGRAMME	233
1. THE EFFECTS OF WAR	233
2. THE CASE FOR A PLANNED ECONOMY	237
3. DRAWBACKS OF A PLANNED ECONOMY	250
4. PRINCIPLES OF A PLANNED ECONOMY	259
5. NATIONAL SECURITY	261
6. SOCIAL SECURITY	268
7. OTHER AIMS OF RECONSTRUCTION	284

CHAPTER	PAGE
VI. A RECONSTRUCTION PROGRAMME—(<i>contd.</i>)	
8. COMMERCIAL POLICY	287
9. MACHINERY OF A PLANNED ECONOMY	296
10. INTERNATIONAL ECONOMIC CO-OPERATION	299
11. CONCLUSION	310
APPENDIX I. THE DEFINITION OF TERMS	313
APPENDIX II. AN ANTIDOTE TO DESPONDENCY	315