

ECONOMIC DESTINY

By the Same Author

A CENTURY OF BANK RATE
ART OF CENTRAL BANKING
CAPITAL AND EMPLOYMENT
CURRENCY AND CREDIT
ECONOMIC ASPECTS OF SOVEREIGNTY
ECONOMIC PROBLEM
GOLD STANDARD
MONETARY RECONSTRUCTION
TRADE AND CREDIT
TRADE DEPRESSION AND THE WAY OUT



THIS BOOK IS PRODUCED IN
COMPLETE CONFORMITY WITH THE
AUTHORIZED ECONOMY STANDARDS

ECONOMIC DESTINY

BY

R. G. HAWTREY

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PREFACE

IN the restless twenty years between the two great wars which this generation has seen, grave and deep-seated defects were disclosed in the economic life of the world, defects which inevitably pointed the way to change. Change there must be, and proposals for change abound. By the character of the changes to be made the economic future of humanity will be determined.

To weigh the fateful tendencies at work, it is necessary to view the problem as a whole. This book was planned before the war; its purpose is to trace our economic troubles to their sources, and to subject the various proposals for change to critical examination. The war has not fundamentally altered the position, but it has cleared the ground for change, and made the need for critical examination more urgent.

For any of the various proposals for change which command support it would be easy to make a case. But my purpose is not to follow diagnosis with prescription; it is rather to disclose the underlying forces by which whatever changes are instituted will ultimately be shaped.

Among the causes of economic disorder a leading place has to be assigned to the international anarchy and its unceasing threat of war in the terrible form nowadays of total war. That is not primarily an economic phenomenon, but it has profound and far-reaching economic reactions: in economic resources as a source of power, and therefore an object of national ambition; in the demands made on productive power by war and preparation for war; finally but less obviously in the recklessness resulting from economic distress, which may plunge the world into war.

On the other hand there are internal strains in the economic system. The most pervasive is that resulting from unstable money, on the intimate relation of which to depression, unemployment and the breakdown of international trade we shall have much to say.

Less conspicuous, but not less fundamental, is the challenge to profit-making. Profit-making is essential to the existing economic organisation of society, but gives rise to crying anomalies. Marx's attack on it was entangled in the crudities of the economic theory of his own day, but its influence has persisted, and the efforts of orthodox economists to explain profit away, as no more than a reasonable compensation for risk-taking and for exceptional ability, supplemented by occasional illicit monopoly gains, have not availed to displace it.

Herein is the driving force behind communism, or, to use a less

provocative word, collectivism. One of the great questions which only destiny will answer is the choice to be made between our existing economic institutions and collectivism. Collectivism has been chosen in Russia ; in the rest of the world the choice has yet to be posed.

The choice is not correctly stated to be between collectivism on the one hand and let-do on the other. Even with a foundation of private enterprise, deriving profits from competition in markets, there is scope for a wide variety of Government activities. Totalitarian regimentation itself, as practised in Germany, retains a background of private enterprise. The power and authority conferred on the central executive by modern means of communication and organisation impose a corresponding responsibility. A Government cannot afford to tolerate the continuance of an acknowledged evil, if there is a practicable remedy within the limits of its sovereign power.

If competitiveness is to be retained as the governing principle of economic life, it must be in association with the exercise of Government interference wherever positively desirable. It may be that competitiveness under such conditions will ultimately be submerged altogether ; it may be that it will break down, either from the burden of armaments or from internal strain ; or it may be that it will take on a new lease of life.

A criticism of economic measures and institutions cannot be divorced from ethical standards. The idea of a positive economic science, abstracted from the fundamentals of good and bad, is untenable. Even when the economist has to advise the means of working for a non-ethical or unethical purpose, he cannot divest his choice of means of ethical implications. And when he is called upon to criticise a policy, the ends themselves must be subjected to his judgment.

There is need of faith, not subordinated to any particular cult or tied to any theological or philosophical system, but a living conviction, faith in the rightness of our ends, and in the competence of wisdom to discern the means.

This book represents my personal views, and is not to be associated in any way with my official position at the Treasury.

R. G. HAWTREY.

February 1944.

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