

Statistical and Social Inquiry Society of Ireland

The Political Economy of Development

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This Society was founded in 1847, twelve years after the British Association for the Advancement of Science had first met in Dublin. Its foundation reflected the contemporary interest in Political Economy; while its early proceedings testify to the confidence which its members felt in the science, and in themselves. Our first President was Archbishop Whately, who had been Nassau Senior's successor in the chair of Political Economy at Oxford. Addressing the Society at the end of its first session, he declared that "next to sound religion, Political Economy is most essential to the well-being of society."

The Society claims that in these islands there are only two similar societies that are senior to it—the Manchester Statistical Society and, through its descent from the London Statistical Society, the Royal Statistical Society. It was enjoying a period of rapid expansion when the British Association met again in Dublin in 1857. That was a fruitful meeting, because it led eventually to the decision to add Social Inquiry to the title of the Society. In that year, and again in 1878 and 1908, the members of the Society read papers before, and joined in the discussions of, Section F.

We felt that this year, when the British Association returns to Dublin, the Society should commemorate its link with a body with which it has enjoyed such happy and useful relations. The present meeting is intended to recall all that happened in those distant years. I have special pleasure therefore in welcoming the members of the Section to this meeting. They come at a time when the pendulum in the Society has swung back a little from Statistics, which were naturally its special interest during the Presidency of Dr. Roy Geary, then our Director of Statistics and now chief of the National Accounts Branch of the U.N. Statistical Office, towards Social Inquiry, in which his successor attempts to find refuge to-night. They also find the Society, through the initiative of our last President, Dr. J. P. Beddy, who induced many industrial and commercial concerns to take up group membership, in a condition of modest affluence not usually experienced by societies such as ours. It is a great honour to be President of a Society that has done so much in the past and still shows such vitality; and my second care to-night must be to return thanks with all sincerity.

The choice of a topic on which to address you presented some initial difficulties. It would have been pleasant to greet this year's President of the Section with a survey of the balance of payments

of this country. We would have gladly given ourselves the opportunity of hearing Professor Meade on the subject which he has made his own. This Society, however, has a salutary rule against topics which are likely to produce discussions connected with party politics; and the balance of payments has too recently been the stuff of Irish party politics. For some years no platform speech was complete without an analysis of the most recent figures, accompanied by a commentary couched in suitable terms.

It seemed then proper to find out what topics had been discussed when the Section met in Dublin. It was found that the first paper read to it by a member in 1857 was on a subject which one cannot feel was happily chosen: *Crime in Ireland*. In 1878, however, the then President of our Society, John Kells Ingram, Professor of Political Economy in Trinity College, Dublin, was also President of the Section. The subject of the address which he then read to the Section and the Society was *The Present Position and Prospects of Political Economy*. It is a theme that only one of his calibre would attempt. But some of his comments appeared to be so relevant to the present position of Political Economy that I felt I might profitably use them as a starting-point for some remarks which may provoke a discussion which will justify their cursory nature.

At that time there had been a marked loss of confidence in the value of Political Economy, which was reflected in the British Association by suggestions that Section F. should be abandoned. This could not have happened, Ingram remarked¹ "if the general mass of the intelligent public entertained strong convictions as to the genuinely scientific character of Political Economy, as it is usually professed and understood amongst us. It is, in fact, well known that there is a good deal of scepticism current on this question. There may be seen in various quarters evidences sometimes of contemptuous rejection of its claims, sometimes of uneasy distrust as to their validity. And even amongst those who admit its services in the past, there is a disposition to regard it as essentially effete, and as having no scientific or practical future before it."

We, who know how little justified these criticisms have proved to be, how much more was to be added to the canon of Political Economy, may be disposed to dismiss this trend of thought. It was, however, then prevalent among economists themselves. Two years before, the centenary of *The Wealth of Nations* had been commemorated among fears for the future of the branch of knowledge that Adam Smith had founded—possibly due to the incidence of what was then known as the Great Depression, possibly to a feeling that the teaching of the classical school had lost its vitality and its link with life. Cairnes, whom we are proud to claim as a past member and sometime secretary of this Society, noted² "signs of belief that Political Economy had ceased to be a fruitful speculation; nay, I fear I must go further and admit that it is regarded by some energetic minds in this country as even worse than unfruitful—as obstructive—a positive hindrance in the path of useful reform."

¹ Journal of the Society. Vol. VII.

² "Political Economy and Laisser faire," in *Essays on Political Economy, Theoretical and Applied*.

The argument of Ingram's address was that such criticisms were well-founded, but that Political Economy had been drawn away from the breadth of view of Adam Smith into abstractions which were founded on "the hypothesis that the sole human passion or motive which has economic effects, is the desire of wealth." He suggested that the study of economic phenomena should be combined with the other aspects of human activity, that the tendency towards abstraction as well as towards undue simplification should be checked, that the use of the deductive system should be relinquished, and that economic laws should be conceived and expressed in less absolute terms.

At the same time, Cliffe Leslie, another past member whom we are proud to claim³ stressed the importance of "the collective agency of the community, through its positive institutions as an organised political body or state, its history and traditions, and the social environment with which it encompasses every man and woman within it from the cradle to the grave." In the introduction to the *Principles*, Marshall posed the question "whether it is really impossible that all should start in the world with a fair chance of leading a cultured life, free from the pains of poverty and the stagnating influences of excessive mechanical toil." That view of the function of Political Economy has never been wholly forgotten. There are still with us those clashes of interest and failures of perception that irritated Keynes into impatience with "a frightful muddle, a transitory and an unnecessary muddle" that must nevertheless be cleared up before the world can approach "its real problems—of life and human relations, of creation and behaviour and religion."⁴ Nevertheless, there is this much in common between 1878 and 1957, that it is widely felt that Political Economy must henceforward pay greater attention to habits and actions and ways of thought that were considered to lie outside its domain.

Thus in the preface to her latest work, *The Accumulation of Capital*, Mrs. Robinson writes: "Economic analysis, serving for two centuries to win an understanding of the Nature and Causes of the Wealth of Nations, had been fobbed off with another bride—a Theory of Value. There were no doubt deep-seated political reasons for the substitution but there was also a purely technical, intellectual reason. It is excessively difficult to conduct an analysis of over-all movements of economy through time, involving changes in population, capital accumulation and technical change, at the same time as an analysis of the detailed relations between output and price of particular commodities. Both sets of problems require to be solved; but each has to be tackled separately, ruling the other out by simplifying assumptions. Faced with the choice of which to sacrifice first, economists for the last hundred years have sacrificed dynamic theory to discuss relative prices." The choice was not necessarily due to political reasons, directly or indirectly. Throughout the last century, economic dynamism might usually be taken for granted, as it can still be taken for granted in some societies. But that was never true everywhere

³ "Political Economy and Sociology," from *Essays in Political and Moral Philosophy*.

⁴ *Essays in Persuasion*, preface.

and it is certainly not true everywhere now. At the same time, the number of theoretical and practical studies of the pattern of growth is increasing rapidly. One may mention the names of Fisher, Clark, Harrod, Frankel and Lewis; and, in the United States, Spengler, Kuznets and Heilbroner.

Some of these studies are concerned with the re-statement of theory, others are directed towards the solution of specific problems of economic growth. They share one characteristic. The questions that they face spring from social and economic issues and have therefore a necessarily wider range, and are less precisely focussed, than studies in, let us say, the theory of rent. But they are designed to supply a need that is increasingly felt. For one reason or another, schemes to hasten economic development are in fashion at present. Internationally, there has been a succession of plans covering wide areas. The earliest of them was the European Recovery Programme; to-day, there are agencies for areas that are still larger and less homogeneous, such as the Colombo Plan, the Point Four programme and institutions such as UNKRA and the World Bank. These projects, initiated by the Commonwealth, by the United States and by the United Nations, are something new in international affairs. There was nothing remotely comparable with them, if one excepts the special measures taken for countries such as Austria and Greece in the 1920's, in the days of the League of Nations.

On the national scale, such plans of economic engineering have been familiar for several decades past. The pioneers were Russia, Italy and Turkey in the 1920's. To-day, the principal examples are countries such as India, China, the satellites and the new sovereign states that are emerging in the Commonwealth. The methods used to implement these programmes vary greatly, in sympathy with varying political institutions and social traditions. They may range from nationalisation and State companies to the direction of labour. But they are alike in their general aim, to promote economic progress, to set off a new cycle of economic development, to introduce the Industrial Revolution, to replace the ox-cart by the bulldozer. The ultimate aim may well be more political than economic; it may be to increase the international standing of the country or, as in western plans, to make it rich enough for democracy. For the moment it is enough to note that such programmes, economic in content, raise issues which go far beyond the accepted bounds of Political Economy. Economic advisers are therefore obliged to study not only the material resources, actual and potential, of widely differing peoples but also their social structure and habits. It is not only a matter of determining how much assistance should be given but also of determining in what form it should be given, so that it will be most quickly and easily absorbed, and with the least resistance or waste, by the social structure. It is better realised now than was once the case, that economic action moves in a social framework which conditions the thoughts and habits of people so thoroughly that its influence persists even when, as in post-war Europe, it was all but destroyed.

These attempts to introduce a new dynamism into national societies were surveyed recently in a notable article in *The Times Literary*

*Supplement.*⁵ It will be useful to recall some of the points made in that article. Some people, such as the Americans, who were dynamic at the beginning of the century, are still dynamic. Others, such as the British, who were then dynamic have lost much of their impetus. Others again, such as the Russians, the Chinese and the Indians, who were then static are now dynamic. The line of difference does not coincide with the division between liberal and totalitarian forms of government. The political systems of Russia and of the United States are poles apart but the two countries have a great deal in common when the driving force of their economies is examined. France and Britain show, in contrast to the other societies mentioned, "an obsession with their own past, with history—at the moment when the greatest number in the world ever to be so obsessed, those of Asia, are struggling free of it . . . Elsewhere—the Americas, Asia, Africa, even in western Europe, in the Low Countries, west Germany and Italy—the Big Ferment is going on. It is linked with rapid material development, the swiftest possible building up of productive capital equipment, and the quickest possible reduction in the human burden of hours of labour—no matter what social, religious or other impediments from a vanishing past may stand in the way. Communist China and neutralist India are at least at one in realising their need to reform social and religious thinking, which their ambitious plans emphasise, no matter how their means to the social goals differ. Alone in Europe, the peoples of Britain, France, Spain and Scandinavia stand pat and stay put."

It is not necessary to acquiesce in this classification of peoples and national societies. In the case of a number of new States, it is possibly still an open question whether they will in the event attempt to enter new fields of thought and action or, instead, return to the ways and habits that were shaken but not overthrown by European conquest. As regards countries nearer home, it must suffice to say that no English critic of England is ever to be taken as speaking on oath. It is certainly not possible, by achieving an equation between the newness and the dynamism of States, to infer that older states must necessarily be static. It may be, rather, that peoples, and the States they compose, often remain wedded to their greatest achievements which, binding them together, influence their standards of value and judgment. These achievements, such as personal liberty or the rule of law, may appear at times to have become outmoded and to have lost their relevance to life, so that the peoples who cherish them may appear themselves to have fallen behind the times. Yet such peoples may prove to have greater staying power and to possess greater powers of endurance than others, who appeared to make more facile progress. The new, and dynamic, societies have become new through military defeat or revolution. But to be cut off from the past is not necessarily a sign of strength. The Third Reich and the Third Rome were both new, and certainly both attempted to be dynamic; but their example does not invite emulation. Equally, it remains to be seen if the dynamism that is at present displayed by the new governments of Asia and Africa is shared by their peoples.

⁵ *The Dynamic Society*: issue for February 24th, 1956.

It has always been accepted that the character of a people is of as much importance as the climate in which it lives or the natural resources to which it has access. Nowadays, it is also necessary to examine the degree to which economic activities are influenced by non-economic motives. Such enquiries were neglected in the past on account of the assumed superiority of the economic motive. Speaking in 1870, Lowe expressed that assumption with all the authority of a Victorian Chancellor of the Exchequer. "Political Economy belongs to no nation: it is of no country. . . . It will assert itself whether you wish it or not. It is founded on the attributes of the human mind, and no power can change it."⁶

At the source of modern Political Economy, there was a full realisation that economic decisions were taken by individuals who lived together in society and who were influenced by the kind of society that they collectively created. Adam Smith pointed out that the scope of Political Economy was "confined to certain directions by our general social institutions, especially the Family, Property and the territorial State." This line of thought can be traced further back. The mercantilists would have found many of our present problems to be the same as their own. "The art of Political Economy," wrote Steuart,⁷ "is first to adapt the different operations of it to the spirit, manners, habits and customs of the people, and afterwards to model those circumstances so as to be able to introduce a set of new and more useful institutions . . . Political Economy in each country must necessarily be different . . . It is the business of a statesman to judge of the expediency of different schemes of economy, and by degrees to model the minds of his subjects so as to induce them, from the allurements of private interest, to concur in the execution of his plan."

This approach to the application of economic principles to daily life never fell wholly out of sight. In the 1830's, Comte elaborated his division of social doctrine into Social Statics, "the fundamental study of the condition of existence of society" and Social Dynamics, "the study of the laws of its continuous movement." In his view, Adam Smith had borne the two sections in mind: his successors had fallen away from his example and had led Political Economy into sterility. In sympathy with this criticism, Mill in his *Essay on Logic*⁸ suggested that there should be a science of Political Ethology or "a theory of the causes which determine the type of character belonging to a people or to an age." The relevance of this to Political Economy was shown in the aphorism⁹ that ". . . empirical laws of human nature are tacitly assumed by English thinkers, which are calculated only for Great Britain and the United States. Among other things, an intensity of competition is constantly supposed which, as a general mercantile fact, exists in no country in the world except these two. An English political economist . . . has seldom learned that it is possible that men, in conducting the business of selling their goods over the counter, should care more about their ease or their

⁶ *Economic Studies*, p. 17.

⁷ *Inquiry into the Principles of Political Economy*.

⁸ Book ii.

⁹ *Ib*

vanity than about their pecuniary gain." Thus the full title of his work is *The Principles of Political Economy with some of their Applications to Social Philosophy*. In the preface to the first edition he stated that : " For practical purposes, Political Economy is inseparably intertwined with many other branches of Social Philosophy. Except on matters of mere details, there are perhaps no practical questions, even among those which approach nearest to the character of purely economical questions, which admit of being decided on economical premises alone." And he goes on to praise Adam Smith for his constant recollection of this limitation.

Mill did not in practice abide by these considerations ; but his approach was much more flexible than that of Nassau Senior before him or of Cairnes after him. It was adopted by Sidgwick who wrote,¹⁰ thirteen years after Cairnes had published his *Lectures on the Character and Logical Method of Political Economy*, that : " granted that effects not strictly economic have to be taken into account in some of the concrete problems belonging to the practical branch of Political Economy, it is no less true that in some of the concrete problems of economic science *causes* not strictly economic cannot be overlooked. Suppose, for instance, to take the leading question of the *Wealth of Nations*, we compare the productiveness of the labour of one country at the present time with that of another, or with the productiveness of its own labour at an earlier period, there is no one of the extra-economical elements of social life mentioned by Cairnes which may not come into consideration ; political systems, moral opinions and habits, educational methods, artistic faculties and tastes, each in turn may become important." It was on this point that he rested his distinction between the Science, or theoretical branch, of Political Economy and the Art, or practical branch. The distinction, which is relevant to several of our present problems, was put in a slightly different form by Wicksteed¹¹ " The tendencies of modern thought and the conditions of modern life have combined to sever the consideration of the administration of resources from the discussion of the ultimate ends (Political Economy) has in view ; and it has therefore become usual to treat (it) as concerned with increasing the communal means rather than securing the communal ends ; and though there has recently been some reaction against this tendency it is still dominant. And again, the deliberate direction of communal resources to communal ends, by a central authority, now occupies only a small place in treatises of Political Economy. . . . Thus, by an intelligible and instructive series of modifications, Political Economy has come to be generally understood as concerning itself mainly, if not exclusively, with industrial relations." Marshall pointed to the gains and losses that might follow from any widening of the scope of the economist's interests.¹² " Economics has made greater advances than any other branch of the social sciences, because it is more definite and exact than any other. But every widening of its scope involves some loss of this scientific precision ; and the question whether that loss is greater or less than the gain resulting from its greater breadth of outlook

¹⁰ *The Principles of Political Economy*.

¹¹ *The Common Sense of Political Economy*.

¹² *Principles of Economics*. Appendix C.

is not to be decided by any hard and fast rule. There is a large debatable ground in which economic considerations are of considerable but not dominant importance; and each economist may reasonably decide for himself how far he will extend his labours over that ground. He will be able to speak with less and less confidence the further he gets away from his central stronghold, and the more he concerns himself with conditions of life and with motives of action which cannot be brought to some extent at least within the grasp of scientific method." But, in its concern for dynamism, economic science must be far-ranging. The very title of one of the first studies of one aspect of economic development, Professor Fisher's *Clash of Progress and Security*, recognises the necessity to take values other than the strictly economic into account. Some years earlier, Keynes had ended *The End of Laissez-Faire* with the reflection that: "the fiercest contests and the most deeply felt divisions of opinion are likely to be waged in the coming years not round technical questions, where the arguments on either side are mainly economic, but round those which, for want of better words, may be called psychological or, perhaps, moral." There may, then, have been periods in which the relation of economic principles to a wider order of values may have been too lightly dismissed; but there is a succession of writers who took the wider and, strictly speaking, the more traditional view.

It is important to remember that in the preceding quotations, writers referred to the laws, morals and social institutions that they knew—those of Europe and of the countries of European settlement. In the modern world the economist must take a wider view; particularly if he is interested in problems of economic development which are, on the whole, more urgent in the continents of Asia and Africa than elsewhere. He must therefore be prepared to dispense with assumptions that would have been taken for granted in Europe in the past. A number of the traditional incentives do not necessarily operate, for example, in all the national states that are emerging from the retreat of European rule in Africa and Asia. The self-sufficiency of simplicity can impose a barrier to development which is the more impassable because it is caused by an attitude of mind. It is true that such attitudes may be removed by an increase of wants which eventually force people into greater production. That is the variable factor in what would otherwise be a rigid equation of few wants and low production. But there may be a considerable time-lag in which a long start will be conceded to other countries. It is in such circumstances of a simple society, resting often on a peasant economy, that the State is most frequently forced to intervene in order to force the pace of change. The central position of agriculture in these problems of economic dynamism may be noted. It is in that sector that, in undeveloped countries, the mass of the population is found; it is there that the force of custom, the greatest obstacle to change, is strongest. Even in Europe, there is much in common between the experiences of the Soviet Government in the 1920's, and more recently of the satellite states, with their peasants and those of Ataturk in Turkey. These experiences appear to be paralleled in Asia to-day. Outside Europe, peoples were forced into economic development by European settlers and traders. To-day, they have inherited all the equipment and much of the mentality of development, which together

provide a foundation for their present plans of expansion. In a number of cases, particularly where countries are potentially important in world affairs, the lure of power may provide an adequate incentive for rulers, if not always for the ruled. Elsewhere, it may easily happen that the mentality of development may be weakened and that the physical equipment may rust. The succession states of the European empires have acquired the structure of political and economic government cheaply enough ; it is still uncertain whether they fully appreciate the moral values on which it rests. Much thought is now devoted to the question whether these new countries will enter the western or the Russian camp. But, on the very considerable assumption that they are left free to choose, they may very well decide to do neither. These peoples have their own standards of values ; they are no longer obliged to accept those of Europe, North America or Russia, and there is accordingly no reason why they should enter the western or the communist economic system to any greater extent than their needs dictate. The extent of these needs will depend on whether they continue to act under the impetus of development or in one way or another return to simpler forms of society. In either case, they will not necessarily act in accordance with our traditional economic principles which, as Marshall remarked, are bad sailors.

The traditional incentives may not operate smoothly even in societies that are much more dependent on production and trade. The satisfaction of material needs, however great or small they may be, is a spur to the individual but not necessarily to the national society as a whole. In any State, it may well happen that there is a considerable section of the community whose needs can be comparatively easily met by their own production which is, however, a great deal less than is required in the interests of the community as a whole. The agricultural sector often provides such a case. Farmers, who are conscious of being able to supply a large part of their own needs at the worst, may not produce enough to meet the direct or indirect needs of the rest of the community. In such cases, there can be a disharmony of interest which often forces the central government, or provides it with an excuse, to resort to measures of compulsion.

The use of money as a measure and a source of incentive has always been taken for granted in economic analysis. "When we want to induce a man to do anything for us," Marshall remarked¹³ "we generally offer him money. . . . If we have to supply a new motive we generally consider how much money will just make it worth his while to do it." He pointed out that "the almost exclusive use of money as a measure of motive is, so to speak, an accident, and perhaps an accident that is not found in other worlds than ours." This is a matter that perhaps deserves greater attention to-day when incentives may be, as Marshall suggested they could conceivably be, public honours or the desire for power. When he wrote, money was certainly the dominant incentive. He was, it will be remembered, a younger contemporary of the Forsythe family. They had an exact sense of the use of money ; and it will be agreed that they may be taken as representative of a generation that achieved very rapid economic growth indeed. But inflation and high taxation, which would appear

¹³ *Ib.* Appendix D.

to be the inseparable companions of rapid economic growth to-day, would now make short work of them, especially of Timothy and his holding of Consols. The desire for money was a driving force when its value was stable and taken for granted: its importance as an incentive must be affected by every fall in purchasing power. In this case the dynamic society threatens to weaken one of the principal sources of its impetus. It is possible, if a passing remark be allowed, that societies find dynamism most easy when they have written off one currency and are starting again with a new.

Moreover, the contraction of individual economic liberties and the growth of controls and planning affect the strength of the money-incentive in another way. Heilbroner points out¹⁴ that the acquisitive society, to use his phrase, did not come into existence until everything was put into "the common flux of money" which "made of a quest for money not only a universally available path for prestige but a universal stimulus and guide." The quest was not for money as such but for the things that went with it. Professor Lewis remarks¹⁵ that: "In almost every society, wealth, prestige and power are closely associated. Where societies differ fundamentally is in what the wealthy do with their wealth and in the sources of wealth to which prestige attaches." But there is a deeper difference still. When Marshall wrote, the acquisition of wealth brought prestige and power in its train. To-day, in many societies, it is the other way around: the acquisition of power brings with it prestige and wealth.

This is reflected in the increasing importance attached to status. In a more self-confident and still dynamic age, Sir Henry Maine wrote that the history of human progress was summed up in the change from status to contract. Professor Lewis¹⁶ accepts that change as inevitable in a growing economy. "The change from status to contract is revolutionary in any society. The old code of values goes, and the community may indeed disintegrate, even in the moral sense, until new traditions form and gain respect. It is not only the economic relations that are affected; the decline of status in economic affairs corrodes also the old ideas about status in political organisation, and in the family, and simultaneously challenges the religious precepts which safeguarded the old rights of status, and thus religion itself. Reintegration does not therefore occur until the community has found new kinship and new political arrangements which accord with its new contractual outlook and a new or reformed religion or moral code to sanction the new arrangements."

That is a picture of a growing society. It is not true of a static society where, it may be suggested, increasing weight is now given to status, as is shown in disputes about wage differentials and grading of labour. But Professor Lewis is dealing with a dynamic society that is also a free society. If the growth is impelled by an authoritarian government, there may be a destruction of old systems of status but they will not be replaced by new contractual arrangements. In such countries, all will depend on power and access to government. This is surely nothing more than a new system of status. Soviet

¹⁴ *The Quest For Wealth.*

¹⁵ *The Theory of Economic Growth.*

¹⁶ *Ib.*

Russia is certainly a dynamic society ; but it is as much governed by status as was Czarist Russia. Both incentives and actions would cease to be economic in character ; they would become political. The point is forcefully put by Professor Hayek¹⁷ " As soon as the state takes upon itself the task of planning the whole economic life, the problem of the due station of the different individuals and groups must indeed inevitably become the central political problem. As the coercive power of the state will alone decide who is to have what, the only power worth having will be a share in the exercise of this directing power. There will be no economic or social questions that would not be political questions in the sense that their solution will depend exclusively on who wields the coercive power, on whose are the views that will prevail on all occasions."

But whatever their nature may be, rewards must be offered. They may be material or immaterial : they may be paid in greater wealth, greater power or public honours. Equally, disincentives must be reduced to a minimum. " Industry and frugality " remarked Mill,¹⁸ using the idiom of another age, " cannot exist where there is not a preponderant probability that those who labour and spare will be permitted to enjoy. And the nearer this probability approaches to certainty, the more do industry and frugality become pervading qualities in a people." It is melancholy to recall the previous paragraph in which he argued that those qualities had enjoyed a new growth. " The people of every country in Europe," he wrote, " are better protected, either by institutions or by manners and opinion, against arbitrary exercise of the power of government. Even in semi-barbarous Russia, acts of spoliation against individuals, who have not made themselves politically obnoxious, are not supposed to be now so frequent as much to affect any person's feelings of security. Taxation, in all European countries, grows less arbitrary and oppressive, both in itself and in the manner of levying it. Wars, and the destruction they cause, are now usually confined, in almost every country, to those distant and outlying possessions at which it comes into contact with savages." In such circumstances, people had no hesitation in providing for the future because they had no fear that the fruits of their work and thrift would be taken from them. When that assurance is lost, there is a falling away of such voluntary provision, which must then be replaced by forced saving if programmes of development are to be maintained. The invisible hand has been replaced by the harsher image of the carrot and the stick.

In the past, and until quite recent times, it seemed that economic development might in general be entrusted to the force of private initiative. The *General Theory* upset such assumptions by its insistence on redistribution of national income in order to stimulate consumption and reduce saving, on cheap money, and on the need for public investment. In a paper read to this Society in 1940¹⁹ Professor George O'Brien remarked : " If such drastic interferences with the free working of an individualist system are necessary in order that it may work well, one is tempted to ask whether capitalism is not completely

¹⁷ *The Road To Serfdom.*

¹⁸ *The Principles.*

¹⁹ *Journal of the Society.* Vol. XVI.

out-of-date as a method of maintaining economic activity." He answered his own question when he went on to remark that: "There is a certain danger in discussions on this subject that sufficient distinction is not made between conditions in countries at different stages of economic development. The greater part of the literature on the subject . . . comes from English and American writers who are concerned primarily with the conditions in very mature economies where the exploitation of investment opportunities and the habit of saving on a large scale can be regarded as normal. Even in respect of countries such as these it is unsafe to predict that quite unforeseen inventions will not create opportunities for private investment in the future. . . . Moreover, there is room for considerable investment in improving the quality of the populations of even the most developed countries."

In the event, the importance of capital is much greater to-day than it was fifteen or twenty years ago. But it is to-day under collective rather than individual control. A great part of the investment in the world is being done by avowedly authoritarian regimes, or by freely elected governments or by associations of States that maintain free institutions. The influence of individual calculations on the course of economic development is much more limited than was the case. As Ropke has pointed out²⁰ ". . . the capital for investment has been made available less and less by saving in the traditional sense of voluntary non-consumption of part of income and the decision as to the volume and distribution of investment has largely become an act of State planning. In this way the formation and employment of capital have been taken out of the logically co-ordinated system of the market economy." He goes on to argue that there are two forces that work to disintegrate the economic and social system of the free countries—the high proportion of the national income directly or indirectly claimed or administered by the State—what he calls "fiscal socialism"—and the persistence of inflation. Both these forces he traces to the disproportion between the volume of savings and of investment which is due in turn to the ambitious scope of State programmes, much greater than individual initiative might consider possible, and a consequent level of taxation and depreciation of the currency which together severely limit the volume of individual saving.

Over thirty years ago Mussolini formulated the claims of authoritarian states in his Labour Charter which set out in its first paragraph that the Italian State had purposes and aims which transcended those of the individuals who composed it. This claim of primacy is enforced over wide areas in the modern world. But it must also be admitted that such words would not be wholly inapplicable to many States that are neither Fascist nor Communist. It is not necessary to adopt fully the criticism of neo-liberal writers on the continent, to equate, as for example Ropke does, national economic policies with "repressed inflation, collectivist controls, 'full employment,' exchange control, state monopolies, bilateralism, subsidies, fiscal socialism, 'cheap money' policies, and the strange mixture of the restriction of private consumption and of public waste which goes under the name of

²⁰ Articles in the *Neue Zürcher Zeitung*, October, 1952.

Austerity." But even where there is a sincere respect for individual rights, State activity tends to grow by its own momentum. This may well detract from rather than increase the sum of human happiness. It is seldom that the aims of the State and the private ideals of the citizen coincide. It may be rather that it is precisely the programmes that are most exactly planned and are aimed at the highest goals that will offend most greatly against political morality and be most destructive of private happiness.

This creates new difficulties for the economist who, in the past, was able at least to move with some certainty in that sector of human desires that could be subjected to the measuring-rod of money. That standard can now be worse than useless. To quote from another paper by Professor O'Brien²¹: "Many other standards besides that of maximum production have been adopted and many incentives besides that of profit have been recognised. . . . It is precisely because economists continue to think in terms of the old valuations that have been discarded by popular opinion that their counsels are so little regarded. It is fruitless to threaten the man in the street or in the polling booth with the loss of what he despises or to try to win his favours by the promise of that which he utterly rejects. . . . Pareto divided human actions into logical and non-logical, the latter including authoritarianism, patriotism, military spirit and physical courage. The field of logical action has tended to narrow and that of non-logical to widen in recent times. The rational calculation of loss and gain, so characteristic of nineteenth century utilitarianism has been replaced by romantic, irrational impulses."

These changes, and still more the trend towards the elimination of individual decisions in favour of State-planned programmes have reduced the field of action of the economist. A century ago, the world was his province. In the address to which reference has already been made, Archbishop Whately declared that: "the world must be governed, has been governed, and will be governed by Political Economy." To-day, the economist surveys a shrunken world. It must be said that there is good authority for believing that he has still a part to play. "But now, some of you may ask," writes Professor Robbins,²² "is not the process of institutional change likely to alter all this? Is it not probable that a body of economic principle developed in the setting of a comparatively liberal society will find itself out of date and inapplicable in the more planned systems to which some societies appear to be moving? Will it not be necessary for the economist of the future to arm himself with completely new principles of analysis? . . . I can quite believe that, in completely centralised despotisms, where decisions regarding policy are the result of the chance whim of a dictator or of a small dictatorial clique acting without any regard for the spontaneous wishes of the people, there must be singularly little room for economic analysis as we know it; in such a society, for anyone wishing to forecast or to influence the march of events, a short course of psychiatry would doubtless be preferable. But in the more mixed societies in which we live or are likely to live this does not seem to be so. At any rate, what little observation I

²¹ *Presidential Address for the Session 1942-43. Journal of the Society, Vol. XVII.*

²² *The Economist in the Twentieth Century.*

have been able to make suggests that it is in just such a milieu that many of our fundamental principles attain their maximum utility." It will be observed that a substantial part of the world's population will be removed from its scope if Political Economy becomes limited to mixed societies. But even there, its principles can hold good only so long as habits and standards of action and judgment that have survived from a freer past are able to maintain their strength.

At this point a digression, in which the relevance of some of these points to the problems of the Irish economy will be noted, may be excused. To commence with an ample generalisation, it is probably true to say that very few issues have ever been defined or assessed by economic values alone. Under British and native government alike, policies that were formally economic have had important political implications and have been praised or condemned on political or social grounds alone. Sixty years ago, the relief of poverty in the West of Ireland by that admirable body, the semi-official Congested Districts Board, was not simply something to be judged on its merits : to defenders as to assailants of the Legislative Union, it was a move to "kill Home Rule with kindness" and therefore something to be judged by its degree of success or failure in that wholly different undertaking. More lately, policies have been designed to assist agriculture not simply as the form of production on which the standard of living of this community ultimately depends but as "a way of living." In one case nationalism, in the other sociology, provided the touchstone ; in neither were economic actions judged on their economic merits.

Similar confusions of aim are no doubt to be found in many countries. They have been particularly common in this country because during the nineteenth century, the period in which modern nationalism was moulded, economic and extra-economic values were sharply opposed to each other. Ironically enough, this was partly the legacy of the comparatively short period in which the principles of classical Political Economy were generally thought to be immediately applicable to the circumstances of the United Kingdom and, therefore, of this country ; in the period, that is, between the Legislative Union of 1801 and the Famine of 1845-47. Pre-Famine Ireland presented the spectacle of a community whose numbers were clearly increasing more rapidly than were the means of subsistence. It presented therefore a perfect example of the dangers that a generation brought up on Malthus had learned to dread. It was natural that writers on economic subjects should point to the Ireland of the 1820's and 1830's as a case of over-population and to the Famine of the 1840's as its inevitable result. It was equally natural that such judgments were not well received in this country where it was urged by many, who were neither nationalists nor economists, that the remedy lay in developing resources to meet the pressure of population. That may have been an equally over-simplified solution ; but our visitors, who have just returned from a tour of one of the schemes promoted by Bord na Mona, will be interested to learn that one of the first to be interested in the reclamation of bog-lands was the future Duke of Wellington,

who was Chief Secretary for Ireland before he was sent to the Peninsula.²³

Another example may be mentioned. The struggle for the ownership of land, which filled the second half of the last century, was essentially a question of status as against contract. Successive Acts of Parliament dealt with the relationship of landlord and tenant on the basis of contract while the tenants claimed that they had a right to a share in the possession of the soil that they cultivated. In 1881 the Bessborough Commission on the working of the system of land tenure remarked that : " . . . there has in general survived to (the Irish farmer), through all vicissitudes, in despite of the seeming or real veto of the law, in apparent defiance of political economy, a living tradition of possessory right, such as belonged, in the more primitive ages of society, to the status of the man who tilled the soil." If nineteenth-century Ireland had been a contractual society, many of those who held fragmented and tiny patches of land would eventually have abandoned their holdings and sought for a better return for their labour as farm labourers. That is precisely what they refused to do. The value, not solely economic, attached to the occupation of land, has heavily influenced modern Irish economic history ; and it is not yet without its political importance or its power to shape economic policies.

These are cases taken from the past in which the course of economic forces was diverted by habits and values which transcended them. They may have some relevance to other societies in the modern world in which similar problems have been encountered. But there are other points at which to-day Irish economic development is deeply affected by environmental factors. It is not too much to say that all Irish thought on economic affairs is coloured by the halving of the population during the last hundred years and by the still continuing emigration. But there is an impressive contrast between the view of emigration that is taken by the individual and the view that is taken by the State. To the State, emigration is something that must be countered by all possible measures, sometimes admittedly uneconomic. To the individual, emigration offers higher rewards or a fuller and more varied life for himself or for his children. Here there is a gulf between the aims of State policy and the personal scale of values. It is an example of that lack of common purpose which can be so great a danger to planned economies everywhere.

The extreme mobility of population has one further aspect ; that the ending of emigration presents far greater difficulties here than is the case elsewhere. In many countries, people can emigrate only with difficulty and are accepted grudgingly abroad ; they must therefore do as best they can for themselves in their native country ; and, by so doing, they greatly assist the development of its resources, however inadequate to the need these may be. Necessity provides the incentive. There is no such incentive in this country where material advancement can be most easily got at the expense of a

²³ There is another, still more unexpected, association. The town of Portarlington, which is now the site of a turf-burning power-station, was represented in Parliament for some years by Ricardo. It does not appear, however, that he ever visited his constituency which, in those spacious days, comprised twelve electors.

short journey across the Irish Sea or a rather longer journey across the Atlantic. Moreover, the very fact that emigration is so easy means that rates of remuneration and working conditions tend to approach those prevalent in countries that are richer and more developed, and therefore limit the possibilities of economic development here. Once again, there is a clash between the interests of the individual and what are accepted as the aims of the State.

Officially, the purpose of economic policy is to maintain the population at its present level and if possible to create the conditions in which growth becomes possible. In the post-war years, therefore, a programme of capital investment has been pursued with great energy by successive governments. Privately, the aim of the individuals who compose the community has been to improve their standard of living and to enlarge their opportunities: an aim, it will be observed, which is more purely economic in its content and is also much more easily achieved, granted the fact that this is a free society in which the movement of individuals cannot be restricted. The official aim cannot be achieved, on the basis of present levels of production, without a reduction in the standard of living. There must be savings, whether they be voluntary or forced. If savings are inadequate, capital investment must sooner or later come to a standstill; a limit to the increase of production will be imposed and official policy will be defeated. Opinions may vary as to the extent to which the capital investment programme has been in fact devoted to the increase of production. There can be no doubt at all that savings have been inadequate; and thus the programme has been largely financed through the realisation of past savings. This, it may be suggested, is not because the community is not thrifty. The experience of the last sixty years, in which the savings now being realised were accumulated, suggests the contrary: the weakness of the economy has rather been that savings were not translated into investment. It has rather been the case that the necessity for saving has not been sufficiently realised; which is to say that there has been no identification of the community with the capital investment programme and, therefore, no general acceptance of the need to make sacrifices. The programme has been regarded as an opportunity to improve the standard of living immediately rather than in the long run and to increase public and private expenditure. Not unnaturally, the opportunity has been seized; and so the programme has not yet attained the success that was desired. It may be added that success will not be achieved until there are considerable changes both in the planning of the programme and in the degree to which the community realises the obligations that it imposes as well as the possibilities that it offers.

In spite, or because, of these difficulties, Ireland remains a country in which the major industry, agriculture, is still largely pastoral and based on low investment while, nevertheless, the standard of living has risen sharply in the last generation. That paradox rests primarily on the existence of past savings and secondarily on the maintenance of the value of sterling, which is the currency in which these savings are held. It is true that the gradual weakening of these supports is now providing an incentive that was previously lacking. There is now, we may hope, a growing realisation of the necessity to export;

but it remains true that while the demand for a higher standard of living may act as a spur, it is more acutely felt in the consuming than in the producing and exporting sector of the economy.

This is indeed an economic society that is curiously unintegrated. With obvious generalisation, it may be said that the greater part of our exports is composed of primary agricultural products while the greater part of our imports is composed of raw materials for industrial processing. A change in the circumstances of one will not necessarily affect the other. Much of the personal savings is concentrated in one sector, the agricultural, where there is very little investment; so that the State, for good or ill, has for practical purposes, taken over the direction of investment. Thus, the economy is not only lacking in immediate incentive: it is also so constructed that it will not be necessarily affected throughout by what happens in any one sector. To apply dynamic policies successfully in such circumstances is peculiarly difficult.

Such inadequacies and conflicts cannot be quickly or easily resolved. But it may be suggested that the schemes of economic development adopted in recent decades have paid greater attention to the means of progress than to the ends. Here again, economic policy has been influenced by non-economic considerations. Irish nationalism considered the nineteenth century as a lost century, in which the population was halved and industries declined. It was seldom asked if the pre-Famine population could have been indefinitely maintained, granted its social and political institutions, or if the industries that disappeared were not casualties of the Industrial Revolution rather than of the Legislative Union. The point that arrested attention was that the industrial development by which other peoples had prospered in that period had not happened here in any comparable degree. Inevitably, it was agreed that the first task of self-government should be to make it happen here; and it was assumed that there would then be growing prosperity and reduced emigration.

For many years, therefore, this State has been governed on the principle that progress would be most quickly and usefully made by giving priority to manufacturing industry. It was felt, not only by successive governments but also by the community at large, that the building of factories and the growth of cities were the pre-eminent signs of economic progress. The results, however, have not been all that were expected. It is becoming apparent that our problems will not be solved merely by doing in the twentieth century what might have been done in the nineteenth. Equally, there is no justification for a defeatist view which ignores the real advances that have been made in industrial production, in the improvement of housing and in public health. The fostering of industry has provided the economy with some degree of dynamism in the last three decades. Its success has possibly been under-estimated, if only through comparison with what might have been achieved by comparable encouragement elsewhere in the economy, notably in agriculture. The most gratifying feature of recent discussions on the European Free Trade Area has been the number of industrial producers who regard that project as providing as many opportunities as dangers. In the case of a number of services, such as electricity

production and air transport to take a couple of instances, the level of technical ability attained in this country does not appear to suffer by comparison with any other country. But, when so much has been said, it seems doubtful if industrialisation can continue to provide a dynamic to the economy in the same degree as in the past. There is no doubt room for new development, some of which may be most important. But it remains to be seen if the future of industrial production in this country lies in providing, as many concerns do, for the limited home market or in the direction of encouraging, possibly by removing tariffs which protect other industries, the producers who can maintain an export trade—which is indeed presumably what would happen if this country became a part of the Free Trade Area.

This suggests that a new source of dynamism is needed, more especially in a situation in which the pace of industrial development has slowed down and the capital investment programme is endangered. To say that such a new driving force can be found in the agricultural sector is simply to repeat once again what has been said by so many speakers over many years in this Society. But, to return to the identification of public and private motives and actions, this goes a great deal deeper than a simple increase of production for export. To obtain that increase, especially in agriculture, is of course the central problem of Irish economics. If it were achieved, it would revolutionise our economic situation and give relief from the restrictions imposed by a consistently unfavourable balance of payments. It would not, however, provide an answer to the fundamental question of the kind of society that it is desired to maintain in this country. This, of course, is not an economic problem at all; but it governs all the considerations on which economic policy is based.

National societies, not least the Irish, are influenced by their history; and it is comprehensible that the very existence of this question should have been largely ignored in recent decades. In the past, our economic and social institutions have been deeply affected by our political history. It was natural to assume that what had worked so often for ill in the past would work for good in the future, and that the achievement of self-government would simplify our economic and social problems. In fact, they have become still more confused because political particularism is now combined with an increasing acceptance of contemporary social values. It is, therefore, more rather than less difficult for the State to fulfil its two self-imposed aims of creating the conditions for greater production and of establishing a way of life that is so distinctive as to support political separatism. It would be more advantageous to frame policy around the existing pattern of society and to develop the possibilities of that pattern. The possibilities, for example, of a society based on the processing of agricultural production have been under-estimated. Too often, the arguments favouring greater production assume that the type of production would remain unchanged, that it would always be concerned with the rearing and export of livestock. True expansion may lie rather along the lines of processing plants and the development of a commercial organisation in agriculture, earning rewards comparable to those obtainable in industry. This may appear

to require a revolution in accepted values. It represents rather a return to the policies of development that were advocated by one of the most notable of our Presidents, Father Finlay, in his work with Sir Horace Plunkett and George Russell for the regeneration of Irish agriculture. The forms of thought that we associate with the co-operative movement may need revision before they can be accepted by those who live in a less confident generation. They contain much, however, that is of permanent value to those who concern themselves with the inter-mingled questions of economic and social development in Ireland. In particular, the importance of applying the fruits of scientific research to agricultural processes, which was emphasised by the Recess Committee over sixty years ago, is highly relevant to the problems of high cost and low production which beset the farming system to-day.

This digression may be ended as it began (and indeed as it continued) with some summary generalisations. Judging by present trends at home and abroad it is doubtful if the economy of this State can long continue as a *rentier* economy which lives at a standard that is higher than its earnings warrant and is dependent on the stability of the currency in which most of its investments are placed. This is not at all to suggest that the economy is unviable; it possesses great and largely unexploited resources of soil and climate and, at the worst, a fair assurance of being able to provide the essentials of life for its population. Nevertheless, an economy that is highly protectionist and biased towards self-sufficiency at the same time as it adopts British standards of living cannot possibly be viable and almost certainly will not be distinctive. On the other hand, an economy that is based on the maximisation of its natural resources not only offers the best hope of expansion and of new opportunities, it will also, by its development towards efficiency in production and trade, mould a society that will create its own standard of social and economic values. These issues will largely depend on the form assumed by the force of nationalism, on whether it is restrictive and negative or expanding and positive. But, to return to the main theme of this paper, these matters will depend on what people think and on the values that are held up to them by education and by all the forces that mould public opinion.

To return to the main theme of this paper, it will be agreed that there is a body of economic principle which holds good all over the world irrespective of social organisation or forms of government. Marshall²⁴ has a metaphor in which he points out that the student of military history will pay greater attention to the strategy of past wars, which conforms to principles of warfare that remain almost unaltered from one century to another, than to tactics which will change with changing types of weapons. He drew attention to: "that distinction in economics which corresponds to the distinction between strategy and tactics in warfare. Corresponding to tactics are those outward forms and accidents of economic organisation which depend on temporary or local aptitudes, customs and relations of classes, on the influence of individuals, or on the changing appliances and needs of production: while to strategy corresponds that more

²⁴ *Principles*. Appendix C. *The Scope and Methods of Economics*.

fundamental substance of economic organisation, which depends mainly on such wants and activities, such preferences and aversions as are to be found in man everywhere. They are not indeed always the same in form, nor even quite the same in substance; but yet they have a sufficient element of permanence and universality to enable them to be brought in some measure under general statements, whereby the experiences of one time and one age may throw light on the difficulties of another."

There are quite a number of general principles that are valid in practically all circumstances. Professor Robbins notes in passing some of them that go a very long way when their implications are drawn out²⁵: "That value depends on number as well as class—the basis of the marginal analysis; that you cannot have your cake and eat it—the so-called opportunity cost principle; that the money which is paid over the counter is received by somebody on the other side—the essence of the aggregate equations..." For present purposes, two of them may be recalled here. The first is, in the words of Einaudi,²⁶ "the eternal basic principle of economics: the limitation of the means available for attaining the numerous, changing and ever-increasing objects for which man strives . . . Hence economic science is correctly defined to-day as the science of choices. And it is the duty of the economist to remind the politician of the need to make a choice—an obvious truth but one which is unpopular with politicians who would like to please everybody without, at the same time, displeasing those called upon to pay the taxes which must be levied before any aims can be attained."

The second is the need for saving, which is the true dynamic force of our times. In all countries to-day, the dominating factor in economic growth is the supply of capital. Investment in itself does not necessarily provide the impetus to development. It has lost, if only temporarily, a considerable degree of the importance that it possessed twenty-five years ago in the circumstances of mass unemployment and suspended programmes of development. The last report of the Bank of International Settlements referred to "the impression, constantly becoming stronger, that the problem of saving dominates modern economic life—and this is as true whether it be a question of further stages in the progress of the most advanced countries or of the future of regions still in course of development." Saving by itself is not sufficient. As Sir Keith Hancock has remarked, one test of a community's capacity for development is what it does with its own savings. It is possible to think of communities where savings have not been turned into investment. But it is even more easy to think of communities where the volume of saving forthcoming is far short of what is needed. It is generally true that the limiting factor on economic progress at present is the supply of capital; and it is ironical that so many countries at present should present their programmes of expansion in Keynesian terms when the true factor is not an excess, but a deplorable shortage, of saving. That shortage may be one of the greatest dangers to the maintenance of free institutions in so far as it forces governments into inflationary policies

²⁵ *The Economist in the Twentieth Century.*

²⁶ Address at the University of Turin, November 1949.

which weaken, and sometimes into dictatorial measures which destroy, the status of the individual.

Dynamism must move in two ways. There is the physical task of increasing trade, whether that be achieved by the installation of new plant or by improved methods of breeding and of marketing. There is also the wider obligation to educate the individual to accept responsibilities and to accept opportunities, to assist research and in general to broaden the field of human endeavour and achievement. In the last resort dynamism depends on people, and the level of their activity depends upon their thrift, resourcefulness and enterprise. It cannot be indefinitely maintained at a higher level than these justify. The strength of dynamism cannot be judged on appearances. One may be impressed by the rapid rate of growth achieved in some countries at the present time and in past ages. Such impressions can be misleading in so far as they concentrate on the result and neglect the causes, which usually lie far back in history, of the slow strengthening of the economic attributes of a people. This is not a process that can be rushed even by a free people, much less by a dictatorship. *Natura non facit saltum.*

In conclusion, it may be suggested that only too often the means used to obtain economic dynamism tend to defeat the end, partly on account of reactions to specific policies, partly on account of reasons that lie deeper in human nature. It appears to be a particular danger of a dynamic society that it uses the individual solely in the capacity in which he has a particular skill, so that his field for self-realisation as a member of society is narrowed, and, as it becomes richer, it loses its purpose as a partnership in human affairs. Burke wrote of the State as : " a partnership in all science, a partnership in all art, a partnership in every virtue, and in all perfection." It would be difficult to recognise the modern State in that description ; and part of the reason must lie in the gradual diminution of the status of the individual, both as a citizen of a State and as a member of a society.

There is a curious contradiction at the root of the form of economic dynamism which is most common to-day. It is usually based on the nation-state, which is steadily losing credit and ceasing to command respect. Politically, the world is still witnessing the creation of new sovereign States at a moment in history when they are ceasing to be self-reliant entities. Economically, the world is moving towards larger groupings in which States surrender some part of their sovereignties. Nevertheless, in their pursuit of economic development, States make greater demands than ever on their citizens. It is no wonder if feelings of frustration and lack of purpose should be increasingly common, most frequently in those States that are most rapidly developing.

That did not necessarily happen in the past : earlier periods of economic expansion did not provoke such feelings. The article in *The Times Literary Supplement*, already quoted, spoke of the present urge to expand " no matter what social, religious or other impediments from a vanishing past may stand in the way." It is possibly there that the source of frustration lies, in the void that is left when old faiths and loyalties are swept away and are not replaced. Every previous civilisation has had some concept of a natural law and of a

sense of harmony and purpose in life. In Europe, that sense was most strongly expressed when society was still avowedly Christian. Even when the influence of confessional religion was declining, it retained its power over thought so that classical Political Economy was based on an ultimate harmony of purpose and on the intrinsic importance of the individual. Concepts such as Free Trade and the Gold Standard depended in the last resort on an acknowledgment of human brotherhood and on the principle that States had obligations not only to their members but also to the rest of the world. Thus, the nineteenth-century preserved a sense of harmony and purpose even when it rejected the philosophy from which that sense was ultimately derived. Both harmony and purpose have been temporarily lost; the effects of the loss are felt, as in every other field of human endeavour, in the part of life that comes under the attention of Political Economy. Thus economic dynamism does not necessarily bring a sense of pride and achievement, as it did in other and more fortunate generations, rather, it too often narrows horizons and hopes that it enlarged in the past. It may be that the tide is still running out; perhaps, in ways that are not now apparent it has already turned; but Political Economy will be most true to its past and to the principles on which it is ultimately based if it continues to insist on the importance of the individual and on the duty of society to respect his rights and his purpose in the world.

DISCUSSION

Professor J. Meade, President of Section F, asked why was the standard income per head in New Zealand perhaps the highest in the world, whereas the standard in Ireland was one of the lowest in Europe. Both countries had free entry for their agricultural produce into the British market.

Lord Pakenham said that if the standard income in Ireland was one of the lowest in Europe, it was a curious thing that food consumption in Ireland was higher than most countries.

Ireland, he thought, had made a great success of democracy during the last 25 years. A British Cabinet Minister had told him recently that the speech of Mr. Cosgrave, when Minister for External Affairs, at the U.N. had made a profound impression. Mr. De Valera was, as he had said before, and would repeat again, the greatest statesman in the world.

Science had not been given, he believed, enough priority in Ireland and a great deal could be accomplished in Ireland with technology.

General Mulcahy said it was important to know to whom the economists were talking and also what the politicians were looking to the economists for.

Mrs. Ursula Hicks felt that Mr. Meenan was perhaps a little pessimistic about the amount of development which had taken place over the last few years, and was currently taking place, in Eire in a number of ways. Re-visiting the country after a few years (and the West

after nearly a decade) it seemed to her that progress had been very considerable. She mentioned as illustrations of this : (a) the spectacular extension of the margin of cultivation, especially in market gardening and arable cultivation on the Dublin hills ; (b) the great increase all over the country in the number of good small houses. Even if these have mainly been built at the taxpayers' expense she felt they stimulate a desire on the part of the tenants to improve their standard of living and to work for nice furnishings, etc ; (c) enormous improvement in the roads ; (d) wherever one goes a great improvement in agriculture and throughout the country in animal husbandry.

The greater part of such investment (other than housing) normally escapes the net of the national income statistician because it is not regarded as investment expenditure on capital account. It is the sequel to the realisation of small surpluses which are literally "ploughed back" in the form of better stock, drainage, new crops. She instanced in this respect a magnificent ram which she had met on Clare Island and which the proud owner told her had been acquired with the help of the Department. The owner's home and his whole farm were extremely prosperous looking, and she felt sure that his effort is not merely adding to his own position but is acting as an example to all his neighbours.

This kind of development, though small in the unit, can in the aggregate be extremely important. Further, it raises no stability problems in the way which larger investment works are apt to do, because it provides its own saving as it goes.

She also thought that too pessimistic a view is sometimes taken concerning emigration. Where initially there is congestion and overcrowding it may assist in the process of consolidation of farms into viable units.

Finally, she emphasised the as yet unexplored possibilities of road transport, especially for the conveyance of farm produce which (especially cheaper vegetables) would greatly add to the standard of living in the towns, and also make the tourists' diet more attractive and more what they are used to at home. A number of visitors to the British Association emphasised to her the lack of vegetables and fruit, which they found very trying.

The President suitably replied to the discussion.