

European Socialism

in

ECLIPSE

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I BROUGHT BACK two predominant impressions from a recent trip of fifteen weeks to eight countries of Western Europe: Great Britain, France, Germany, Italy, Belgium, the Netherlands, Switzerland, and Austria. The first was of self-sufficient well-being, reflected in full shop windows, cities and roads jammed to capacity with automobiles, resort centers crowded, and figures of GNP (Gross National Product), industrial output, exports, and accumulated gold and currency reserves all zooming to new heights. The second was that socialism as a political and intellectual force in Europe has gone into a deep eclipse.

Indeed these two impressions are closely interrelated. As people become more prosperous, they lose interest in socialist dogmas. And as they discard or at least abate such socialist practices as ration-

ing, rent control, allocation of materials, state controls over foreign trade, and extension of nationalization, they automatically become more prosperous. Indeed, it is remarkable how the simple truths of classical economics, if given a chance to work, prove their validity in practice. Belgium, for instance, is the one country in Western Europe that has thoroughly scrapped rent control. It is also the only one where getting an apartment is not a major problem.

The British Conservatives, who came into power by a narrow majority in 1951 and have increased that majority in the elections of 1955 and 1959, were inclined to tread warily because of the formidable Labor Socialist opposition. It was with considerable heart-searching and misgiving that they first scrapped meat rationing and later carried out a limited decontrol of rents. But neither of these measures led to the dire consequences which

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lovers of state regulation foresaw. Meat prices did not go into the stratosphere. One does not see in London evicted tenants sleeping in the streets or in the parks. On the contrary, the British people today enjoy the widest range of food and consumer goods since the end of the war. And private building of apartments, stimulated by the partial rent decontrol, has picked up enormously and helped to alleviate the housing shortage.

On the other hand, Italy—where there is a vast amount of state intervention even though the ruling Christian Democratic Party is opposed to socialism in theory—is still close to the bottom of the European heap in poverty. One should not draw sweeping conclusions from this. Italy labors under a number of disadvantages: a too prolific population, a late start in industrialization, a tradition of conspicuous misgovernment in the southern part of the peninsula and in Sicily. But it can reasonably be noted that little good has come of the government oil monopoly (ENI) and the government control of considerable segments of the economy through IRI (the Institute for the Reconstruction of Industry, which took over faltering industries in the time of the world depression of 1929-33 and has hung on to most of them). More encouraging are Italian moves in

the direction of relaxing controls on foreign imports and encouraging an inflow of foreign capital.

The eclipse of European socialism can best be measured by taking a backward look—to Western Europe as it was immediately after the end of the war. Britain had rejected its war hero, Winston Churchill, as a political leader and swept the Labor Party into power with a big parliamentary majority. And it has been said that in Britain, where there is no written constitution, Parliament can do everything except change a man into a woman. The sky seemed to be the limit on schemes of social and economic reorganization along Marxist lines.

In France and Italy at that time, communists as well as socialists sat in coalition governments; this was also true as regards Belgium, although for a shorter time. In occupied Germany, American military government officials, naively misguided or worse, were forcing communists on German newspapers and radio stations.

Away from Socialism

The political changes which one finds in Europe now are profound. The communists have long been cast into political oblivion. And, although they still rally the votes of a good many of the miscellane-

ous discontented in France and Italy, there is no more reasonable fear of a communist *coup*, or even of a first-rate communist riot.

The socialists are also at a low ebb. Three times running, in the two most industrialized countries of Europe, England and Germany, a socialist party and a moderate or conservative party have been the principal contenders in national elections. The result in the two countries was the same. The conservatives won three straight and, what is perhaps still more significant and unusual, they increased their majority each time. The membership of the French Socialist Party has declined from 350,000 to 50,000 and the diminished socialist ranks are riddled with factional feuds. In Belgium and the Netherlands, socialists are now out of the coalition governments which normally rule these countries.

Only in Scandinavia, where a mild brand of socialism has become a habit, and in Austria, where a permanent coalition of the evenly balanced moderate People's Party and the Austrian Socialists has existed ever since the end of the war, do socialists have any direct influence on administration.

Europe's economic orchestra is now in tune. In all the larger countries, the men who make the vital

economic decisions are in agreement on such points as the desirability of currency convertibility and free movement of men, goods, and capital across frontiers and in rejecting direct measures of state economic intervention in times of economic stress in favor of indirect measures, such as raising interest rates. It is fortunate that this is the case. For differences between the "Inner Six" (the close-knit European Economic Community of France, Germany, Italy, Belgium, the Netherlands, and Luxembourg) and the "Outer Seven" (the looser Free Trade bloc of Great Britain, the Scandinavian countries, Austria, Switzerland, and Portugal) are much less significant than the economic differences that would arise in a Europe split between nonsocialist and socialist governments.

Conservative Gains in Britain

I was in England during the last national election campaign and in Germany in 1957, while Chancellor Adenauer was building up to his third successive victory at the polls. Various factors, some national, some international in scope, have contributed to the political downfall of European socialism.

Prime Minister Macmillan in Great Britain proved himself a consummate political leader. He

called the election, as the Prime Minister in office has a right to do under the British system, when all the auguries were most favorable. He spiked the guns of the Labor opposition by going to Moscow early in the year and starting a process of high-level negotiation which, whether wise or unwise, is unmistakably popular in Great Britain. He neatly exploited Eisenhower's visit to Britain early in September and the opportunity presented by a joint television appearance of American President and British Prime Minister.

But the overriding element in the Conservative victory was the relative ease of British living conditions after eight years of Conservative administration, compared with the bleak austerity from 1945 to 1951 when the Labor Party, officially committed to a socialist philosophy, was in power. In fairness, it should be recognized that immediately after the war life would have been hard in Great Britain under any government. The economic wounds inflicted by the war could not have been healed overnight.

But what can reasonably be charged against the Laborites and what cost them a good many "marginal" votes at the polls is that, in line with their theories of state planning and assured "fair shares" (which always proved to be very

small shares), they continued rationing and other controls far beyond the time when austerity and hardship were really unavoidable. The most impressive proof of this was when the "conquering" Britons in the military administration of Germany were living on meager unpalatable rations while the Germans around them, under Erhard's free market economy, could get as much food as they wanted. Another unhappy memory associated with Labor administration is of scores of little frustrations and inconveniences; without special permits it was a crime for a man to repair the leaky roof of his own house or to build a garage.

So Conservative election posters showing the more comfortable, less harassed life of the present time, with the admonition, "Don't let Labor spoil it," found a receptive audience. One of the issues of the campaign was pointed up, perhaps unconsciously, in an article which Labor's prospective Chancellor of the Exchequer (British equivalent of America's Secretary of the Treasury) contributed to the British radical weekly, *The New Statesman*. In a very frank exposition of the theory that the government, not the individual, has the first lien on the taxpayer's income, Mr. Wilson wrote:

"Recent budget debates have sharpened controversy and pro-

vided what seems to be the acid test of distinction between the Tory and the Socialist. The Tory says that all income belongs to its recipient; that all state levies upon it are at best a regrettable necessity; that it is wrong to refer to a Chancellor's decisions as 'largesse,' 'tax hand-outs,' or to suggest that the Chancellor is in any way giving anything away; what he is doing is refraining from withholding so much. Our approach is different. We say that *all wealth is derived from the community*; that the budget is an instrument not for perpetuating the unequal distribution of income and wealth, but for correcting it. We say, therefore, that a Chancellor in the happy position of being able to reduce taxation must apply the welfare test—where can I do the most good, add most to the total happiness?" (Italics supplied.)

It is a safe guess that most Britons, like most other people, prefer the idea that "all income belongs to the recipient" to Mr. Wilson's conception that the business of a socialist Finance Minister is to share and redistribute wealth.

"No Experiments" in Germany

In Germany, as in England, proved prosperity under a system of comparative free enterprise was more attractive to the major-

ity of the voters than socialist appeals to class envy and socialist promises. One of the most popular slogans of the winning party in Germany, the CDU (Christian Democratic Union), was *Keine Experimente*, "No Experiments." Germany's spectacular recovery from the ruin and desolation of the war began from the time when a stable currency and a free market economy were established, and there was no desire to tamper with either of these bases of prosperity.

Chancellor Adenauer's commanding personality and his success in winning the confidence and respect of the leaders of the countries with which Germany had recently been at war also contributed to the political downfall of the German Social Democrats. Still another factor was the vague, cloudy program of the Social Democrats in foreign affairs, which suggested the possibility that, if they should come into power, they would break or dangerously loosen political ties with the West without gaining any real prospect of German reunion in freedom.

Still another special national problem, the protracted guerrilla war in Algeria, made for the return to power in France of General Charles de Gaulle. A series of weak Cabinets, the result of the

many squabbling and internally divided parties, had brought matters to such a pass that de Gaulle was generally recognized as the only alternative to such undesirable prospects as military dictatorship, anarchy, and civil war.

It was only a government like de Gaulle's, stable and mildly authoritarian, that, in all probability, could have imposed the regime of order and sanity in French economics and finance. Here again, old-fashioned economic common sense has worked wonders in giving France a stable currency and replenishing gold and dollar reserves which had been depleted almost to the vanishing point at the time when de Gaulle took over power in the spring of 1958. Foreign trade has been considerably liberalized and France, as a member of the European Economic Community, has assumed the obligation to expose its industry to the increasingly free competition of the other members of the Community.

Socialists without a Cause

Far from being a wave of the future, socialism in Western Europe now looks more and more like an obsolete relic of the past. For Europe today, having turned away from the rationing and controls and state planning and state meddling which were characteris-

tic of the time immediately after the end of the war, is riding the crest of a wave of prosperity. The Soviet Union may continue to send rockets to the moon and adjacent planets. But there is no serious prospect that in any foreseeable future the Soviet standard of living will come anywhere near the American. On the other hand, there are several European countries — Great Britain and Germany, France (especially if it can shake off the incubus of the Algerian war), prosperous little Belgium and Switzerland, always true to the principles of economic individualism — that could quite conceivably within the next decade rival America today in terms of *per capita* consumption of food and consumer goods, in housing, even in motor transport.

Intelligent socialists are more and more willing to admit the need for rethinking their principles if they talk "off the record and not for attribution." A prominent British trade-unionist, an old acquaintance of the writer, made these remarks on the eve of the recent British election:

"Very few workers give a pin now about nationalization. Just as a matter of prestige and consistency the Labor Party put in a proposal to re-nationalize steel and motor trucking; but if they lose the election, and I'm afraid they

will, you will probably hear no more about it. We don't sing *The Red Flag* any more at Labor meetings and there isn't one person in a thousand in the Labor movement who would know the words or the tune of the *Internationale*. What the workers in Great Britain are interested in is not socialism in the Marxist sense; it is more social equality—the sort of thing you have in America—more chance, for instance, for the poor boy who is bright and capable to go to the best schools and colleges.”

West German Recovery

One finds this same drift away from conventional socialism in its homeland, Germany. When Erhard started his experiment in a free market economy (after a long period of wage and price control under the Nazis and under the foreign military occupation), Social Democratic spokesmen thundered against it on the ground that it would make the rich richer and the poor poorer. But this line of attack boomeranged as real wages increased rapidly and steadily. Then the Social Democrats shifted their intellectual gears and in 1957 dropped the demand for nationalization of the coal, iron, and steel industries from their election platform. They then took up the line that they would carry out

Erhard's ideas of free competition better than Erhard could himself. The voters were not impressed.

Rising Level of Living

What has been more effective than any amount of theoretical argument in destroying Marxism as a vital faith in Europe has been the penetration into the older continent of American ways of life. For the first time in history, the European worker, at least in the more skilled grades, sees the opportunity of becoming a house owner and a car owner, of enjoying an annual vacation in some foreign resort. His wife is getting used to such household labor-saving devices as the refrigerator and the washing machine. And the American image of individual opportunity and unplanned abundance looks more attractive to the modern European worker than the Soviet image of planned scarcity and continual sacrifice of present enjoyment for what is represented as the benefit of future generations.

The “proletariat,” or industrial working class, was never as badly off as Marx made out in *Capital* and other writings. But before World War I, even up to World War II, there was a gulf, social and economic, between the manual workers and the middle classes in Europe that was not paralleled in

the United States and that provided fertile soil for socialist propaganda. It was much more difficult to move from one "class" or social group into another than it was in the United States, where it has always been taken for granted that poor boys may become rich men and that rich men may lose their wealth.

Now, however, the European "proletariat," instead of becoming poorer, more numerous, and more revolutionary, in line with Marx's predictions, is fully sharing in the generally improved well-being. Indeed, it is almost disappearing as a result of the leveling, upward and downward, that is a marked feature of Europe since the end of World War II. A skilled mechanic, in this era of full employment, can demand and get a wage that puts him, economically, on a par with the middle class.

Moderation in All Things

Against this background of increasing adoption of American mechanical conveniences and enhanced prosperity two things have happened. European socialists have become more moderate and European voters have displayed an inclination to turn away from even moderate brands of socialism.

A very intelligent official in one of the smaller European countries, a member of its socialist party,

who was willing to talk only on a "Don't quote me personally" basis, offered what seemed to me, on the basis of my own observation in this and other countries, a pretty convincing explanation of what has been happening in Western Europe since the end of the war:

"Both socialists and liberals have changed their positions considerably. Socialists have given up ideas of violent revolution, have become indifferent to nationalization and quite disillusioned with rationing and state planning. Liberals are prepared to accept social welfare measures and the necessity of government intervention to ward off major economic crises."

As this remark indicates, to say that European socialism is in eclipse does not mean that European economies are run along lines which economic libertarians would endorse. Conservative and moderate parties today accept measures of government intervention and social welfare legislation that their fathers and grandfathers would have vigorously fought, as socialistic.

The very words socialism, conservatism, liberalism are not hard and fixed and constant in their meanings. All acquire differing meanings in the context of changes of time and country.

But what is unmistakably true and significant is that Marxism,

once a powerful faith in Europe, has been consigned to the mothballs. Europe, at least that larger and more prosperous part of Europe which is outside the Iron Curtain, was faced at the end of the war with a choice of two roads, one leading to out-and-out socialism, the other to the mixed economies of the present time, in which the voices of eloquent advocates of the free economy like Wilhelm Roepke in Switzerland, John Jewkes in England, Jacques Rueff in France, the late Walter Eucken,

and others who carry on his tradition in Germany are heard with increasing respect.

To the visible considerable benefit of its economic health and general well-being, Europe, for the most part, has chosen this second road. ♦

EDITORS NOTE: *Though optimistic, Mr. Chamberlin recognizes that Europe's path back to freedom is lined with many stumbling blocks, some of which are highlighted in the following article.*

The European Economic Community



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THE FORMATION of the European Economic Community, or Common Market, is another attempt by the governments of Western Europe to escape from the detrimental effects of governmental planning

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and regulation. Previous attempts took the shape of the Benelux Economic Union, the Economic Commission for Europe, the Organization for European Economic Cooperation, the Council of Europe, the European Payments Union, and the European Coal and Steel Community. All of them reflect the general recognition that high eco-