

FULL EMPLOYMENT AT THE LIBERAL ASSEMBLY

MEMO OF NOTES which the Liberal Liberty League received from a Fellow Delegate and circulated in typewritten form at the Liberal Assembly, London, February 1 to 3. The words that were underlined are here set in italics.

The Resolution No. 17 in the Final Agenda embodies proposals and policies which are stated in very general terms. Particular explanation is provided by Sir William Beveridge in his book: *Full Employment in a Free Society*. Some relevant passages are here quoted as a guide, with acknowledgments to Sir William. Speakers can themselves anticipate questions likely to arise or draw what inferences they will, allowing, however, the compiler of these extracts to underline expressions as having a special significance; and to add at the end brief comments on some starred passages. Page references are to the book.

1. "PRIMARY AIM OF THE STATE" AND "PLANNED OUTLAY"—Resolution, lines 2 and 10.

(a) PAGE 187: "The State cannot escape ultimate responsibility for the general direction of outlay by reference to social priorities, however much it may be guided in its direction by the preferences expressed by citizens The State cannot undertake the responsibility for full employment without full powers."

(b) PAGE 116: "Even if the economy were planned, most of the spending would still be done by consumers meeting their needs from personal incomes according to their individual views; the allocation of resources would be in accord with the natural desires of the citizens, as interpreted by the planners."

(c) PAGE 147: "The Government has to decide . . . as to the extent to which it shall rely upon making public outlay itself and upon influencing private outlay, as to the division of outlay between consumption and investment; . . . as to the extent to which the means of outlay whether private or public shall be provided by taxation and by borrowing respectively."

* (d) PAGES 179-180: "The supreme direction of the country must be in the hands of . . . men able to decide quickly, but with time to read, think and discuss before they decide. In addition to a Prime Minister, freed from every departmental care, two Ministers seem clearly designated for this supreme Cabinet, a Minister of National Finance . . . and a Minister of External Affairs."

2. "INTERNATIONAL TRADING ARRANGEMENTS"—Resolution, lines 67 et seq.

(a) PAGE 238: "The whole trend of the argument . . . is towards a management of international trade, in place of leaving it to unregulated competition. That is to say, it is towards that for which the cartels stand. To attempt to destroy or stop cartelization would, therefore, be a contradiction of policy."

(b) PAGE 241: "International trade, both for imports and for exports, will on the whole have to come under public management, in place of being left to market forces either competitive or monopolistic. The organs which serve for planning at home will also serve for planning in the wider sphere."

(c) PAGE 141: "Since a proportion of any increased spending in Britain, whether public or private, is certain to

be directed to imported goods, an increase of national income through public outlay tends to raise imports without at the same time stimulating exports, so that unless steps are taken to prevent this, it affects adversely the balance of payments."

(d) PAGE 209: "A country suffering from depression and unemployment may want a surplus of exports over imports as a way of getting out of depression, and in order to secure this export surplus, it may by tariffs and in other ways, restrict drastically its current imports."

* (e) PAGE 218: "Each of the participating nations . . . must aim at a certain stability of economic behaviour—continuity in tariff, subsidy, foreign exchange and other economic policies—and must refrain from introducing important changes in these policies without prior consultation with the other participants."

(f) PAGE 223: "Discrimination, that is to say, selective control of imports, may be useful and necessary for adjusting minor discrepancies in the balance of payments."

(g) PAGE 211: "If buoyancy of the home market should cause British industrialists to neglect the foreign market, it would be necessary for the Government either to create sufficient inducements for private traders to export or itself to take a hand in the export business."

(h) PAGES 237-238: "Uncontrolled movements of capital from one country to another . . . represent a danger against which safeguards must be provided It is difficult to see how, in practice, this control of capital movements can be secured without a general system of control over all exchange transactions, though this need not involve a postal censorship."

3. "OUTWORN FINANCIAL CONCEPTIONS"—Resolution, line 34.

(a) PAGE 147: "What new rules of national finance should replace the old rules of public finance . . . of reducing State expenditure to a minimum and of balancing the Budget each year? The first rule is that total outlay at all times must be sufficient . . . taking precedence over all other rules and overriding them if they are in conflict with them."

(b) PAGE 147: "The State in matters of finance is in a different position from any private citizen or association of private citizens; it is able to control money in place of being controlled by it. Many of the mistakes of the past have arisen through failure to make this fundamental distinction."

* (c) PAGE 148: "Most of the objections that have been made in the past to borrowing by the State are fallacies. An internal national debt increases the incomes of some citizens by just as much as the taxation necessary to pay interest and sinking fund on the debt decreases the incomes of other citizens; it does not and cannot reduce the total wealth of the community."

(d) PAGE 272: "The importance attached (in the Government White Paper) to balancing the Budget, in the long run though not in a particular year, excludes continuous deficit spending by public authorities. Yet either this or a drastic redistribution of income to increase the propensity to consume is in the last resort essential."

4. "STATE EXPENDITURE AT THE REQUIRED LEVEL"—Resolution, lines 8 et seq.

(a) PAGE 99: "The State . . . possesses an unlimited command over the nation's credit and therefore can use the savings of its citizens in any way that seems good to it. It can spend them . . . and still be able to repay with interest what it has borrowed The State will not as a rule have any specific income from which to repay the loan. It will have to rely and can rely upon taxation or further borrowing."

* (b) PAGE 136: "The State . . . must be prepared at need to spend more than it takes away from the citizen by taxation, in order to use the labour and other productive resources which would otherwise be wasted in unemployment."

* (c) PAGE 147: "It is better to employ people on digging holes and filling them up again than not to employ them at all; those who are taken into useless employment will, by what they earn and spend, give useful employment to others. It is better to employ people, however the money for their wages is obtained, than not to employ them at all."

* (d) PAGE 209: "For a community suffering from mass unemployment, exports may be advantageous though they are given away, or, what comes to the same thing, though they are made on loan to a country which later repudiates the debt or are exchanged for a relatively useless token like gold while useful imports are refused."

* (e) PAGE 209: "The employment given and the wages paid to the persons engaged on additional exports set up an internal demand for other labour, so that the exports, even though they are themselves given away may increase the production of useful things and add to prosperity at home."

5. "PRIVATE EXPENDITURE AND INVESTMENT"—Resolution, lines 24 and 63.

(a) PAGE 23: "Liberty of a private citizen to own means of production and to employ others in operating them at a wage . . . is not an essential liberty in Britain because it is not and never has been enjoyed by more than a very small proportion of the British people."

(b) PAGES 184-185: "There are several serious objections (to the placing of adequate purchasing power in the hands of the citizens so that they will spend more). The citizens' outlay might not be wisely directed The outlay . . . cannot be indiscriminate; . . . it must be directed . . . it must be designed to correct the instability of investment."

* (c) PAGE 185: "General stimulation of private outlay—attained by remission of taxation—may to a large degree set up a demand for foreign instead of home produced goods, and thus give employment to foreigners rather than to people unemployed in this country The additional citizens' outlay might not be directed to those forms of consumption which were socially most desirable; it might go to luxuries rather than to the necessities—good food and good housing."

(d) PAGE 177: "If . . . private enterprise proves unwilling to embark on a major project that the Government considered to be necessary . . . the State should undertake it under public auspices."

(e) PAGE 178: "Assistance (of a National Investment Board) would take the form of ensuring . . . a lower rate of interest

on investments for approved purposes By pledging the credit of the State it would enable borrowers to obtain funds on terms otherwise unobtainable."

(f) PAGE 178: "The (National Investment) Board should have some power, suitably safeguarded, of direct control of investment—that is to say, power to stop or reduce by order a proposed private investment plan."

(g) PAGE 189: "If the State fails by lesser methods the case will be made out either for bringing a larger part of industry into public ownership, or for stronger controls over private investment generally."

(h) PAGE 207: "If the private owners fail, with all the help of the State and in an expanding economy, to stabilize the process of investment, the private owners cannot for long be left in their ownership."

* (i) PAGE 23: "If it should be shown by experience or by argument that abolition of private property in the means of production was necessary for full employment, this abolition would have to be undertaken."

6. "FACILITIES FOR THE PASSAGE OF LABOUR" —Resolution, line 41.

(a) PAGE 169: "Deliberate direction of demand, with reference both to the industries and the places in which the workpeople can be found, will be an essential measure."

* (b) PAGE 172: "Obstacles (to movement) may be of two kinds—arising from the unwillingness of the individual to change his job or place of residence or arising from restrictions on entry to particular trades."

* (c) PAGE 32: "Organized mobility means that if and when change is necessary, men and women shall be willing to change their occupations and their places of work."

* (d) PAGE 171: "The suggestion is sometimes made that the compulsory use of employment exchanges for all engagements should continue in peace as in war. In regard to . . . boys and girls up to the age of eighteen, the case for imposing such a requirement is clear. Under the new educational system such persons will still be subject to the care of the community, citizens in process of formation not fully formed."

* (e) PAGE 172: "There can be no objection of principle to requiring corresponding notification by employers of every vacancy to an employment exchange, or going further and requiring the actual engagement to be made either through the exchange or an approved agency, such as a trade union Compulsion may prove to be unnecessary; at least it may seem reasonable to wait to see whether full systematic use of an organized labour market can be brought about without it."

(f) PAGE 22: "If men are free to move from one employment to another and do not fear dismissal, may not some of them at least become so irregular and undisciplined in their behaviour, as to lower appreciably the efficiency of the industry?"

(g) PAGE 206: "The smooth working (of the policy) involves the co-operation of work-people, in enforcing industrial discipline on the unruly, in securing maximum efficiency and removal of restrictions upon output."

7. "HOUSES, FOOD, FUEL, ETC., AT REASONABLE PRICES"—Resolution, line 45.

* (a) PAGE 30: "The State takes the initiative by placing collective orders—for food, fuel and perhaps other necessities—with a view to re-selling them later to private consumers at a price which may need to be lowered by a subsidy."

* (b) PAGE 157: "The policy involves collective demand for essential consumption goods to be supplied to private citizens through the ordinary channels of retail distribution at a price which, at need, may be lowered by a subsidy The essential goods will include food and fuel. It may, in due course, be extended over a wider field with the State taking more and more of the general business of wholesaling."

COMMENTS

The book interprets the Resolution, shows what is involved in it and helps to an understanding of proposals to which the Liberal Party should or should not be committed. A reviewer of the Book said it has been hailed "from both the Right and the Left." On the "Right" are the protectionists and the landed interests; on the "Left" are the State Socialists and the Communists. Whether the book offers an escape route in either of these directions—neither of which is Liberal—is for the student of the book to judge, if the foregoing extracts do not suffice. As for the starred items, some brief observations occur:—

* 1. (d) A British directorate, dictatorship or politburo seems indicated?

* 2 (e) These conditions would apply to the lowering or abolition of tariffs as well as to their increase, so that Britain may not be permitted to disturb "stability" by opening its own ports without consulting other countries.

* 3 (c) If this is true, does it matter how much one citizen must pay another for goods or services or permissions; or to what level the rent or price of land (for example) may rise? Mr. (now Lord) Lloyd George patented the thought at the close of the last war, speaking at the Guildhall, November 8, 1918: "If we are heavily in debt, we owe nine-tenths of it to each other. . . . It is all in the family."

* 4. (b) "Productive resources" and "means of production" frequently re-

ferred to in the book are nowhere exactly defined. They necessarily include natural resources (i.e., land, both urban and rural) and vast sums to buy or "invest in" land are involved, as in the inter-war years, with result that unemployment was aggravated; the schemes were shattered by land speculation.

* 4. (c) Why use or misuse good labour and material in that way and throw wealth into the sea? Not necessary that these unemployed should work! Pension them handsomely, because it's the money they spend which performs the miracle of Keynes's "multiplier" principle.

* 4 (d) and (e) Not an original idea. Mr. John Wheatley, Minister of Health in the Labour Government, put it as a matter of State policy, saying in Glasgow on September 14, 1924: "A Russian loan would help unemployment in this country. It would be a good thing even if it were never paid." Same argument as "digging holes and filling them again."

* 5 (c) Conflicts with 7. (a) and (b). If food, etc., prices are subsidized, citizens will have more to spend in other ways, and the "State" will itself be the agent of stimulating the undesirable imports and of "exporting employment." That "dumping" anathema of the protectionists will start all over again.

* 6. (b) Inferring that workpeople are the obstructionists preventing wealth production; and that "facilities" are not for them but for the Government which is to be armed with power to enforce its will.

* 6 (c) and (d) and (e). The book repeatedly uses such terms as "deliberate direction," "organized," "unwillingness of the individual," "compulsion," "imposing requirements," "enforcing discipline," etc. But its title promised a "free society."

* 6 (d) Danger that some words here may be interpreted in the German Nationalist-Socialist sense, or in the Italian-Fascist.

* 5 (i) The most revealing statement in the book; its argument unproved; the admission of uncertainty; the study of Political Economy in vain; the door to Communism standing wide open, as the only alternative to the overthrow of monopoly and privilege.

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