

## Economic Planning —an Inside View

IN THE LIGHT of present-day economic policies, which are turning more and more towards state regimentation of the economy, it is refreshing to look at some of the things said by "Spartacus" in *Growth through Competition*, Hobart Paper 35, published by the Institute of Economic Affairs.

"Spartacus" conceals the identity of an economist employed full time in the government service. To reconcile authority with independence, the Institute invited an economist who could write with authority derived from practical experience of the problem of economic planning but who felt that his freedom to publish could be safeguarded only by requiring his name to be withheld.

Here are some of the points he makes:

\* "The first need is to get rid of the "stop-go" cycle. The only sure way of doing this is to replace the pegged exchange rate system in which the value of the £ is fixed at 2.80 dollars by a floating exchange rate so that the exchange value of the £ is free to alter in accordance with the movement of supply and demand in the world currency market. By doing this we will abolish the possibility of a balance-of-payments crisis.

\* "The core of the task of making British industry more competitive is to knock down the barriers to competition . . . My proposal is that Britain should abolish all import duties and quantitative import restrictions, such as those on dyestuffs, coal and oil from the Soviet Union, whose imports are subject to licence, and should do so without waiting for corresponding concessions from other countries. What I am advocating therefore is "unilateral free trade," which was offered for consideration by Professor J. E. Meade three years ago as a possible alternative to joining the Common Market on terms which might have hampered our freedom of international action . . .

\* "By adopting a policy of unilateral free trade Britain would move far ahead of the position adopted by the EEC. Instead of joining a group of countries which trade freely among themselves but are protectionist against the outside world we should be gaining the full benefits of free competition with goods from all parts of the world. This policy would benefit not only Britain's economic efficiency, and even more obviously the interests of her people as consumers, but also the underdeveloped countries. Free entry for their products together with a steady sustained rate of growth in economic activity in Britain, freed by floating exchange rates from the restraints of balance-of-payments considerations, would complete the pattern of the expansionist open-market policy.

\* "In Holland, where incomes policy of the kind now

being introduced in Britain has been in force for most of the post-war period, the system of official wage controls has been found partly useless and partly harmful. It is useless in the sense that it permits, under pressure of heavy demand for labour and of postponed increases from past years, explosive wage increases such as the rise of 17 per cent. which was agreed in the autumn of 1963 for the following year. It is harmful in the sense that the regimentation it necessarily entails, whereby employers are liable to imprisonment if they pay more than the officially approved rates, tends to drive the normal market processes underground into furtive and illegal channels. Instead of open wage increases there are hidden inducements and dodges such as free lifts to and from work or gifts for employees (guitars, bicycles, etc.); and black market operators make fortunes by hiring out workers at "black" wage rates. All this is in addition to the economic damage done by a system which, insofar as it is effective, prevents labour from being drawn into the activities where its employment would be most profitable."

### PLANNING REJECTED—2

## Metaphysical Bunkum

THE CONCEPT of national planning was strongly criticised by Professor D. S. Lees, of Swansea University College, when he spoke at the annual conference of the Institute of Municipal Treasurers and Accountants in Torquay recently, reports *The Municipal Journal*. He maintained that national planning relied upon detailed economic forecasting, which, to date, had an "extraordinarily bad" record.

Professor Lees, himself an economist, backed his case by citing some of the predictions made in the 1950s: the expected long-term rise in coal demand, the expected demise of the gas industry and the expected surplus of doctors. "All these confident expectations have now been confounded," he commented.

Furthermore, national planning was based on a notion that faster growth could be achieved only if enough people could be brought to believe it was possible. "I can see no empirical grounds for this notion at all," he said. "The current psychological theory of growth is nothing more than metaphysical bunkum."

What were we to think of those output figures forecast for industry for the 1970s? Very little, he believed. "Industrial targets will not be achieved, not because forecasting is so bad," he explained, "nor because economists are falling behind on their jobs, but because it is just not on."

Professor Lees called for a reduction in the size of the public sector of the economy, particularly that of the central government, but he caused dissension among delegates when he suggested there should be a continuing

**PLANNING ACCEPTED**  
(in a "free" society)

**THE sad fact is that the Labour Government's policies have gone a long way to discrediting the concepts both of planning and of an incomes policy. But I am convinced that both concepts, properly understood and intelligently operated, form an essential part of any rational economic policy for a free society.**

Reginald Maudling, MP, in  
*The Daily Telegraph*, August 10.

emphasis on individual initiative and free-market forces, particularly in the social services.

One delegate took him up on the point of leaving hospitals to free market forces, arguing that there were not enough doctors to go round. Some parts of the country would have doctors, said the speaker, while others would be left with the veterinary surgeon.

Professor Lees said that social services should exist primarily to help those in need. The majority of the population should be left to make its own choice in the free market.

## THE VEIL IS LIFTED

**S**PEAKING at a meeting of the R.I.C.S. early this year on the subject of the Land Commission Bill, Mr. Desmond Heap, comptroller and city solicitor to the Corporation of London and one of the country's experts on town planning legislation, referred to the complexity of the proposed legislation.

"The Land Commission Bill," he began, "is a very heavy-going mixture indeed. I will not go so far as to presume that I shall be able to explain it. I will, however, tell you what I think it means in those bits and parts of it which I think I have now come to understand." One thing, however, was clear to Mr. Heap: "the longer land is kept off the market to wait for better things to come the greater will the levy increase. This is a promise and a threat combined." In his interpretation of the effects of the levy and its alleged introduction to cheapen the price of land Mr. Heap was equally firm.

"I have never understood how the imposition of a tax on any article could have the effect of bringing down the price of the article. It has always seemed to me to make it more expensive. One of the objects of the Bill was supposed to be to bring down the prices of houses. I suppose that clause 18 is the provision which will do that, if anything is to do it at all. It will be done by the Land Commission taking the land compulsorily and then disposing of it at less than best price obtainable—and to whom? The Commission can dispose of it not merely to

a housing association, but to anybody, but subject to crownhold restrictions or covenants as, for example, that no tenancy shall be granted for more than two years, and that the Land Commission shall have a right of pre-emption to buy the land back in case the recipient proposes to sell. This is worthy of close attention. As far as I can see, clause 18 is the only clause which might bring down the price of houses. Will it have that result? We must wait and see."

Since Mr. Heap was considering the effect of the proposed levy on land prices he was right to believe that attempts will be made to pass the tax on. This would not of course, as every economist will agree, be true of an annual tax on the rent of land. As far as the progressive impact of the new levy is concerned, with an initial rate of 40 per cent. and a later rate of 50 per cent. or more, those who wait long enough before selling will have little to worry about. A tax on a capital gain of £1,000 at 40 per cent., leaves £600 for the vendor: a tax on a gain of £2,000 ten years later at a rate of 50 per cent., will leave £1,000. Only the threat of early acquisition by the Land Commission will prompt more land on to the market and as it will take some time for the Commission to get under way, the pressure from that direction will be of little account. It may well be that the six "changeable acts or events" in the Bill (a phrase which strikes Mr. Heap with visions of the Three Musketeers led perhaps by the Chairman of the Land Commission) will become increasingly rare phenomena as the land market sets into a static pattern hopefully awaiting the return of a Conservative Government.

## BOOKS RECEIVED

- The Structure of Economic Science* by N. B. Beaumont. Prentice-Hall International. 64s.
- Private Enterprise and Public Emulation* by Mario Deaglio. Research Monograph 5. Institute of Economic Affairs Ltd. 6s.
- A Competitive Cinema* by Terence Kelly with Graham Norton and George Perry. An IEA Research Report. Institute of Economic Affairs Ltd. 30s.
- Conspiracy* by Douglas Rookes. Johnson Publications Ltd. 30s.
- South Africa: the Struggle for a Birth-right* by Mary Benson. Penguin African Library. Penguin Books Ltd. 8s. 6d.
- The Unification of the World* by Paul de Hevesy. Pergamon Press Ltd. 70s.
- Markets and the Franchise* by T. W. Hutchison. Occasional Paper 10. Institute of Economic Affairs Ltd. 6s.
- This Germany: the Story since the Third Reich* by Rudolf Walter Leonhardt. Pelican Original. Penguin Books Ltd. 6s.
- Invitation to Sociology—a Humanistic Perspective* by Peter L. Berger. Pelican Original. Penguin Books Ltd. 5s.
- Khrushchev* by Mark Frankland. Political Leaders of the Twentieth Century Series. Pelican Original. Penguin Books Ltd. 5s.
- Men and Places* by J. H. Plumb. Essays on the 18th Century Scene. Penguin Books Ltd. 6s.
- Approach to Archaeology* by Stuart Piggott. Penguin Books Ltd. 5s.