

# Demise of Planning

BY STEPHEN MARTIN

**"It is the impossibility of regulating supply and demand which must spell failure for all authoritative state planning"**

EVER SINCE the inception of state economic planning, no country in the world (especially the totalitarian states), has ever succeeded in completing its plans within the period laid down or indeed completing them at all in the manner initially conceived. It is no surprise, therefore, that Britain's National Plan died a natural death in July, 1966, but if, as Samuel Brittan comments in his booklet *Inquest on Planning in Britain*\*, "all political parties support planning," then we may expect new project targets anytime in the future.

Throughout his autopsy, Mr. Brittan blames the lack of strategy for overcoming "the balance of payments disequilibrium" and "control of demand." He makes great play with the effect such an absence of strategy has had on "growth rates," and argues that the plan would have been saved if it had been possible to maintain a steady growth rate. One would think that the very failure of this conception of the Keynesians should have dispelled Mr. Brittan's belief in it, and that he should now accept the fact that the statistical assessment of the growth of wealth cannot be other than hypothetical. The idea of controlling the "pressure of demand" by an assessment of the "rate of growth of productive capacity" is illogical. Supply and demand must equate, and any interference with this principle must bring about shortages or excess. Quite apart from any other factor, it is the impossibility of regulating supply and demand which must spell failure for all authoritative state planning.

Dealing with what he calls "cost inflation," Mr. Brittan suggests that the government should "stop footing the bills for loss-making nationalised industries," and intervening in strike disputes. Once again he is evading the issue; "cost" inflation is caused by currency inflation—government increase of the money supply.

Mr. Brittan gives several examples of the failure of sanctions and compulsion including "official fallibility to forecast population movements" and the emigration of doctors and scientists. He could have enlarged on this by quoting how compulsory planning in the Common Market Countries is falling down because of excessive coal and steel output.

Pointing out that the success of a "freeze" depends very much on the "reluctant acquiescence of employers faced with a falling market," Mr. Brittan rightly claims that statutory control of prices and wages is incompatible with a free society, and gives examples of how such a policy

might be evaded. If we did have a free society, of course, the economic malaise would be non-existent and the circumvention of authoritarian economic decrees would be unnecessary.

In the final chapter, "A Possible Strategy," Mr. Brittan comes down firmly on the side of the planners and claims that "the primary economic tasks of any modern government are to regulate demand and keep the economy in external balance." The absurdity is that he believes this can be accomplished without compulsion.

Preoccupied with the so-called balance of payments crisis, Mr. Brittan proposes "a floating (but managed) exchange rate for the pound," fluctuating as a balance of payments regulator—a contradictory and self defeating proposal that perpetuates the existing exchange control.

A protectionist at heart, Mr. Brittan claims that "the way to tackle the trade balance is to operate directly on the relative profitability of exporting and importing by



using the exchange rate. Once the price mechanism has been brought back into play it will be possible to locate areas where market forces work so imperfectly that government intervention is required."

The truth is that if the price mechanism was allowed to operate in free trading conditions there would be no need for intervention and the grossly exaggerated balance of payments deficit would disappear. As an economist, Mr. Brittan should know this perfectly well. Obviously his conception of the price mechanism must be radically different from that which would operate in a truly free economy.

If the cause of the failure of planning is the result of a balance of payments deficit, as Mr. Brittan contends, then it is not surprising that he advocates joining the Common Market. By this means a totalitarian cartellisation of the economy could create an effective straight-jacket.

The nearest approach to state planning functioning effectively within a democracy is during a time of war when the economic objective is the dissipation of wealth of the combatants.

\**Inquest on Planning in Britain* by Samuel Brittan. Political and Economic Planning. 6s. 0d.