

TWO VIEWS ON ECONOMIC PLANNING

(Abridged from a B.B.C. broadcast discussion on "The World We Want" reported in THE LISTENER, 18th November, 1943)

I—By G. D. H. COLE

THIS SORT of planning is very closely connected with projects for ensuring what is called "full employment"—that is to say, enough work to go round all the available labour. For clearly, if the State is to guarantee that there will be jobs for everybody, the State must have a pretty large say in the planning of the industries and services which are to provide these jobs. I do not mean that economic planning is impossible without nationalizing everything: that is not the case. But it does involve that the State must have a bigger share than hitherto in the direction of economic development.

Economic planning is not new—not by a long way. This country has indeed done quite a lot of it already, but patchily, and, as I think, mostly in the wrong way. A fair example of half-planning is to be found in the Acts regulating agriculture. The Wheat Act of 1932, the Agricultural Marketing Acts, and a number of others were attempts to regulate the amount of home agricultural production by offering the farmer a remunerative price for the output we thought it right to aim at. I am not now discussing whether these measures were well or badly drafted: my point is simply that they were instances of piecemeal planning applied to a particular kind of production. The Electricity Act, under which we built the "Grid," is another example of piecemeal planning applied to a particular service; and there have been quite a number of others.

I believe we can have the sort of planning that will give this security of employment without any interference with the ordinary man's freedom to choose and to change his job, and without any restrictions on the general run of employer that will not be much more than made up for by the better prospects of earning regular and reasonable profits as a result of the greater security given by a regular demand.

II—By G. L. SCHWARTZ

I am going to seize on a current slogan of the planners. It is "Planning for Abundance and Freedom." Now that is the world we want. But shall we get abundance and freedom through planning? Mr. Cole thinks so. He does not envisage planning of the Soviet type which entails all-round nationalization. He envisages more of the economic planning which we have had in the recent past. He defined it as piecemeal planning. This piecemeal planning is the sort of thing we are likely to get in the future in this country. Let us be clear about this. We are not talking about "a plan" relating to the whole economic system of this country. We are talking of proposals which run like this. Let us have a scheme for the coal industry. Then let us have a scheme for the cotton

industry. Then a scheme for transport. And another scheme for wheat-growing. How many schemes you have depends upon how enthusiastic and energetic you feel. Everyone has his own notion of the order in which the schemes should be introduced. Most of the people who would understand the coal scheme would not understand or be interested in the cotton scheme, and most of the people who would understand the cotton scheme would not understand or be interested in the coal scheme. It would all be sectional. Each scheme would tend to be run by the interested people and the general public would have little or no say in the matter.

Now would this make for abundance and freedom? I can only say that up to now such schemes have not made for abundance nor for freedom. On the contrary they have made for restriction on output and restriction on freedom. They have made for scarcity and privilege. There was a hop-growing scheme before the war which gave a monopoly to the people already in the industry. It limited output and it stopped any newcomer from growing hops. Didn't that discourage abundance? Didn't that interfere with freedom? There was a potato scheme which imposed a fine of £5 per acre on any extension of potato-growing. Was that the way to get more potatoes? There was a transport scheme which prevented a lot of new people from putting lorries and motor-coaches on the road. Did that make for abundance of road transport? Wasn't that an interference with the ordinary man's freedom to choose and change his job? There was a coal scheme which discouraged mines from exceeding a certain output. Did that make for abundance of coal? There was a cotton scheme which scrapped cotton-spindles. Did that make for more cotton-spinning? There were a number of other schemes, and a common feature of them, in addition to restriction of output, was a ban on new entrants. There was actually a scheme to restrict the growing of raspberries, but luckily that got the raspberry.

And, of course, this piecemeal planning almost inevitably leads to restriction of output and restriction of freedom. Under piecemeal planning a scheme is introduced not primarily for the benefit of the community but for the benefit of an industry. And when I say an industry I mean the people who happen to be in it at the time. They are dissatisfied. That is why they want a scheme. They want larger incomes and larger profits than they are getting. The quickest way to get them is to raise prices, and the quickest way to raise prices is to restrict output and to see that nobody else comes in to spoil the market. Have you noticed how much talk there is nowadays about licences? It is argued, for example, that nobody should be allowed to open a new shop

without a licence. A lot of industries and occupations are playing with this idea of licensing new entrants. Now you know what that means? It doesn't mean that anyone who comes along can get a licence. Licences are not meant to let people in but to keep them out. Here's a prospect for the boys when they come home. You will have to apply for a licence to grow hops, a licence to keep a cow, a licence to grow potatoes, a licence to open a new coal-mine, a licence to put a lorry on the roads, a licence to open a bacon-curing factory, a licence to catch herrings, a licence to open a new shop, and you will stand a good chance of being turned down. What must we give to get the world we want? I suggest that under planning we give up a lot of freedom and we certainly don't get abundance in return.

[Mr. Schwartz here invited Mr. Cole to take up this point about abundance and freedom.]

COLE: I, too, blame the Governments which, instead of taking steps to expand production, did their damndest to entrench restrictive monopolies in one industry after another, at the consumers' expense. But those things were not planning—not even piecemeal planning—but the very opposite. They were expedients to which Governments resorted, just because they had no plan.

SCHWARTZ: Wait a minute. Governments didn't just do their damndest to entrench restrictive monopolies. They went out of their way to set up monopolies. They set up monopolies where they didn't exist before. That was the planning. Hop-growing was a free occupation. The Government made it a monopoly. The provision of motor-coach services was a free occupation. The Government turned it into a closed shop. You can call those schemes expedients if you like, but will it be any different in the future? Where is the planning that does not involve restrictions?

COLE: If there were full employment the Government would be able to say to any vested interest that went to it with a request for a restrictive monopoly: "No, you don't: we will see to it that the people have incomes to buy all that industry can produce, and that they are not charged too much. We shall study your costs, and see how much you need to charge for your goods in order to get a reasonable return. We shall study the market for your goods, and see how much there is likely to be a demand for at a fair price. If there is what you call surplus capacity, or surplus labour, in your industry, we shall see that the surplus labour is trained for alternative jobs, and that new factories, to produce what people do want, are built to employ it."

SCHWARTZ: You talk about dealing with the people already in an industry and arranging matters with them. You propose to study their costs and their

markets and then to decide upon a reasonable return and a fair price for them. But what about the people who are not in the industry but would like to get into it, or might want to get into it? How can you decide anything about costs and prices until you find out what other people are capable of doing besides those already in the industry? And how can you do that unless the market is perfectly free, open and unrestricted?

COLE: If we can once get the big industries organised properly, and get the State to take on the responsibility of seeing that there are jobs, and decent living incomes, for all separately, the general run of employers will not need to worry about restricting output: they will be able, if they are reasonably efficient, to find markets for all they can produce. That is what I mean when I say there is no need for planning to extend over the whole field.

But it must be real planning, based on sound estimates of costs and market demands—not piecemeal interference.

SCHWARTZ: There again you come back to piecemeal planning. "Once we get the big industries properly organized." That's what you said. You are going to give an escort to half-a-dozen big fellows and you hope that the rest of the convoy will make port itself. That's not a plan; that's a hope. Still it makes clear what you mean by planning—getting the few great key industries organised for plenty and leaving the rest of the system free, and now may I ask what are the few great key industries you have in mind?

COLE: The point is that they are key industries and services, which supply essential materials or means of production or services to the public. I can't give you a full list, but let us say transport, power, steel, shipbuilding, and with them the trades controlling such

essential imports as non-ferrous metals, the chief textile materials, and, of course, the services of banking and finance.

SCHWARTZ: That sounds like a big order. I don't call that a few industries. Still, it makes a programme. I still won't call it a plan. It is still sectional and anything sectional means privileges for some people as against outsiders. There will be sheltered and unsheltered industries, and I cannot agree that such a state of affairs is consistent with freedom. It does mean controls, it means price-fixing, output-fixing and interference with free movement. How much of that restrictiveness are people prepared to tolerate?

COLE: I deny that it is restrictive: I believe that it is just the opposite, and I believe people will put up with quite a lot of planned control of the key industries, if they can feel secure of having a job.

A HOUSING SITE AT £2,000 PER ACRE

THE SOUTHGATE, Middlesex, Borough Council has decided to purchase 19.8 acres for £38,000 for house-building. Provision is to be made for 200 houses, so that, allowing for streets and necessary open spaces, the site of each house will cost well over £200. The decision was made unanimously "though regretfully by some members on account of the cost," as the report stated. Alderman Wauthier, chairman of the Lands Committee, said he expected the Government to reimburse the Council completely, "we expect the Government to bear the full burden and we have been misled if they don't intend to do it." The Council laughed, but appeared to be reassured by the Alderman's optimistic interpretation of a circular the Ministry of Health had issued last March, which referred to compensation payable to a council when purchase was based on pre-war values, the inference seeming to be that councils were warned that if they paid more than pre-war values, the extra cost would be on themselves, and thus some check was put on extravagance. But all this is quite conjectural. The local *Wood Green Weekly Herald* reads the circular otherwise; there is little or no definite information as to who will be responsible for the finance of the housing schemes which the Ministry of Health has urged local authorities to formulate and local authorities are virtually preparing in the dark. If Alderman Wauthier were right that the Government was proposing to refund to local authorities whatever price they paid for land (up to the pre-war value or the "March, 1939, ceiling" as it is called, of which nothing is known except that land prices were then prohibitive for any profitable or non-subsidised housing schemes) an alarming situation would arise by the stimulus given to land speculation, the vast sums that would be paid over to monopoly, and the charge imposed on the general body of taxpayers. The people would not escape the burden by

the fiction that as local ratepayers they would be reimbursed out of the Treasury. What Southgate ratepayers would not pay, others will have to pay, and if the deception is practised upon them that they are getting "off scot free," they will find that they, as taxpayers, will have the bill presented to them for the land that is purchased on behalf of the ratepayers in all other parts of the country. Unfortunately there are Councillors who do pretend there is virtue in Government subsidies and have done so all along, simply ignoring the fact that, through the Exchequer, the self-same people whose rates are being kept down by such practices have to bear the cost in increased taxation.

In the debate in the Southgate Council no one remarked that this land which was to cost £38,000, its value made by its situation and by nothing the owner had done, was as allotment land totally exempt from rating—that the owner in fact was getting for no work done as much as it would take 146 men to earn if they worked all the year round for a wage of £5 a week; and they would produce the wealth which the landowner does not; the landowner merely takes that sum of wealth out of the general pool which others keep filling. The cost of the transaction is on the country as a whole, and it is no matter of satisfaction to Southgate ratepayers that they are giving this endowment to monopoly although they may think they are saving their own faces in so doing.

Nevertheless, some Councillors did make protest. Alderman Peverett said that land originally worth one or two hundreds now ran into a thousand or two; the people of England had put up this particular land system and must now pay through the nose for it; if this illustration of the evil helped to awaken the people for the system, well and good. Councillor Lauder said returning soldiers could not be told "we are sorry, there are no houses

for you, the land is too dear." It was too dear. He referred to previous purchases where in one case (1899) the land had cost £200 an acre, and now on similar land the price would be ten times as much, and to another (1924) when land for allotments in that area had cost £225 an acre. Why the tremendous increase? Because of the wise planning and good government of the district and the energy and industry of the people and the growth of London. "We have built up that value and now we have to buy it back; the people of England have increased the value of their land to such an extent that they cannot afford to live on it without subsidy." In other words, with the advance of rent, wages have been driven below subsistence level, wages being insufficient to provide a roof over head.

Surely the solution is not any scheme of land purchase, but the Taxation and Rating of Land Values to secure for the common good the land value which belongs to the people, and at the same time break down the land monopoly which stands in the way of all progress and expansion.

The sale of British-owned rubber plantations in South India to local Indian syndicates is still going on. The Teekoy Rubber Estate, Ltd., have accepted an offer of £150,000 for its property in Travancore. The concern has an issued capital of £74,000, and shareholders will thus receive more than £2 per share repayment. "Our Mincing Lane Correspondent writes that the estate consists of 1,752 acres, of which 1,379 acres are planted and 1,213 acres are mature. The capital is equal to £54 per acre at par, and the purchase price amounts to over £100 an acre, a good price for an area yielding not much over 400lb. to the acre and with a rather high production cost."—Financial Editor, *Manchester Guardian*, 18th January.