

## WHICH SYSTEM — PLAN OR PRICE ?

PLANNING is the current fashion of thought, including the assumption that the only alternative to State planning is economic chaos and unregulated disorder. A corrective to this view is to be found in a chapter on "Planning" in the late Sir John Maynard's book *The Russian Peasant*, in which he admits, with some reluctance, that State planning has still to make good its claim as a device of better government. This in spite of the appearance of success in Russia to which Sir J. Maynard is so sympathetic. He shows, in a penetrating analysis, that the alternative to planned production is the Price mechanism, and he says the question is whether Plan or Price is to be the guide to economic action. So far as Russia is concerned it seems to be an open question, for he quotes three informed opinions; one, that the Plan demanded an impossible degree of foresight; a second, that whilst much is being done in Russia, it was often done in a way that did not correspond with the Plan; and a third that the Plan there was more than a production drive, and showed a high degree of co-ordination, between various branches of the productive economy.

The chapter provides a detailed comparison of the two systems of Plan and Price. There is an excellent description in particular of the Price mechanism, which should be studied by those who think that private enterprise is unregulated and chaotic. We are warned against the idea that Plan is the exclusive method of Socialism, and Price only the method of Individualism. The two systems overlap, but "the planning in individualistic society is not done by a central authority . . . and the pricing in the socialistic society is not the outcome of the play of contending economic interests." The two systems are alternative ways of answering a more fundamental question; "man lives or dies, prospers or the reverse, by putting things into their right, or into their wrong, places. . . . How is man to know which are the right places, and which are the wrong: how is he to distinguish the better from the worse use of his available resources?" This question cannot be answered under either Plan or Price system, without an understanding of the law of economic rent, and a valuation of land, and, as was shown in a previous article (*Land & Liberty*, April, 1945), there is inadequate grasp of this in Russia.

Maynard speaks of the vast economic power of what he calls "Consumer's Choice" exercised unconsciously and without planning. If sufficient effective demand is brought to bear on the market, it may enable the producer to raise his price above the figure which covers the cost of production plus a reasonable profit. Then competitive producers will bring prices back to that figure by

increasing supplies. If effective demand is withheld the producer may be compelled to lower his price below the cost of production. In which case production will fall off until the price required by the producer to meet his costs and profit is again attained. Under this system the producer plans to adjust his production, in quantity and direction, so that effective demand for it may touch the figure which equates costs and price.

"It has been powerfully argued," says Maynard, "that . . . Price is decisive . . . that it determines both amount and direction of production, and in the form of interest, which is the Price of capital, it determines the volume of saving: that it is determined by competition, which cuts all costs to the bone: that it is therefore, a perfect index to the choice between alternative uses of labour, land and material: and that an economy which does not suffer its choice to be determined by Price must inevitably make the wrong choice, and pay the penalty in economic loss." He speaks of this loss as fatal to the claim that a socialistic economy will excel an individualistic one in productivity. The success or failure of Socialism depends ultimately on establishing this claim to be more economically productive. And Planning and Socialism rest upon the same assumptions, whether they are true or false.

This analysis of the Price mechanism implies a free land system, where the choice of sites and access to natural resources is not impeded by private or State monopoly of land. Maynard recognises this, saying: "Land is locally often a monopoly . . . rent is determined by the planned policy of the large estates, with the competition, all on one side, operating to increase the claims of the landowner." So that the response of supply to demand under such conditions does not act freely. There is an echo of Henry George when Maynard says: "Man's appetite for the good things of life, including leisure, is reasonably assumed to be inexhaustible. It is only his poverty which causes him to go short. If it be true that a method of converting demand into effective demand has been found there is no chance that supply will reach the limit of demand." But the inexhaustible demand will meet an inexhaustible supply, and the demand will become effective by the production of wealth to exchange for other forms of wealth, when the unlimited riches of nature are thrown open by Henry George's plan.

The existing system of individualist private enterprise is not, as Maynard notes, operating according to the ideal principles of the price mechanism. He endeavours to construct in imagination a purely competitive society. "At every stage, in renting land, borrowing the capital, erecting the factory and the

machinery, hiring the labour, buying the raw material, right through to the disposal of the finished consumers' goods across the counter and the sending of them home to the customer, all costs are cut to the bone by competition, and all prices are at the minimum. Everyone knows what is the cheapest rate for the indulgence of every wish. In so far as he is able to equate his desires with the cost in money of satisfying them, he has complete material for a choice. The first stage of "renting the land" is all-important. This, according to the above ideal picture, would not be under conditions of land speculation and private appropriation of rent. The rent would represent the true advantages of the site to the producer or occupier, and it would be paid to the community of which he is a member. Under such a system there could be no withholding of land from use, and labour would be able to demand the full value of the work done. Wages would be at a just level, whilst the prices of commodities would be at their natural minimum. This result would follow from the Price system working freely, when land monopoly is eliminated. At present, however, "many are cut off from the natural sources of subsistence, without obtaining access to the artificial sources." It is this fact that is the weakness of the so-called "capitalist" system of production, and not the mechanism of self-regulated price fixing.

Planning, or socialism, is the alternative to Price, and as Maynard states: "there are only two ways of avoiding the necessity of adjusting the general level of prices according to the pressure of demand upon supply. One way is by rationing, which the U.S.S.R. abandoned in 1935. The other is by the principle of first come first served, which is a kind of rationing according to priority in the queue." We have had our taste of rationing and queueing, and many will prefer to let price fixing in a free market conform to their choices, and be their guide in finding an answer to Maynard's question as to the right places for production and the least wasteful way of using all our available resources. Price legislates the economy for peace and not for war, for plenty and not scarcity, for freedom not monopoly. D.J.J.O.

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