

THE MACHINERY OF SOCIALIST PLANNING

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NOTE

THIS book was written by G. D. H. Cole for consideration by the Planning Section of the New Fabian Research Bureau. The draft was discussed at several meetings of the Section, and re-written by its author in the light of these discussions. It remains, however, a draft submitted *to* the Planning Section, and not a report made *by* the Section to the Bureau as a whole. It does not commit the Bureau in any way, and its author is solely responsible for the views expressed, as representing, not the opinions of the committee, nor even his personal opinions, but rather his opinion as modified and influenced by the criticisms of the other members.

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CHAPTER I

INTRODUCTORY

WHEN the next Socialist Government comes to power, it will be expected not only to pass legislation which will meet at once the most pressing grievances of the people, but also to lay secure foundations for a socialist economic system. It will not, if the situation remains at all nearly what it is to-day, be expected to establish Socialism, in any complete sense; for a socialist system could not come at once, even as a result of revolution, as the experience of Russia has plainly shown. Much less can Socialism be established suddenly by a parliamentary Government which is seeking to introduce changes by constitutional and peaceful means, without offering its opponents any legitimate provocation to violence. But, although the next Socialist Government, if it comes to power in an orderly, constitutional way, will not be expected to establish Socialism, it *will* be called upon to make a real advance towards a socialist system, and not merely to carry through a series of unco-ordinated social reforms.

No real advance of this sort is possible without a plan, or without the establishment of some sort of organization for planning. It is possible, up to a point, to 'plan' without Socialism, but it is quite impossible to advance towards a socialist economic system without a plan. For Socialism, in one of its most important aspects, is the planning of the

economic activities of society with a definite end in view. That end is, quite simply, the welfare and happiness of the people—not of a mystical collective entity somehow endowed with a collective soul, as the ideologists of Fascism would have us believe, but of so many individuals, with bellies to be well filled, and aspirations to be fairly satisfied, as far as the resources at the disposal of society will allow. Other 'plans' may have other purposes: the Four Year Plans of Nazi Germany, for example, are evidently drawn up with quite different ends in view. But Socialism is, in its economic aspect, simply planning for welfare, both nationally and as between one people and another: it involves the belief that men will live together better and more happily when the control of production rests, both within each country and internationally, not with a limited class of profit-makers who twist the State and the economic system to serve their class-interests, but with the whole people and with all the peoples. For, though in its final form every plan must be nationally co-ordinated and controlled, in any truly socialist system each national plan will emerge as the result of a process of democratic consultation and deliberation, in which as many as possible of those who must actually do the work will be called upon to play their parts: so that the plan as a whole will be based on a host of lesser plans, for each separate industry and for each plant within it, and for each separate locality or group, and all these lesser plans will be brought together under the unifying control of a central planning authority responsive to the people's will.

Any complete socialist economic system would thus be completely planned in all its essential parts; for it is impossible to envisage the economic structure of a socialist society without at the same time envisaging an attempt at the distribution of all the available economic resources, or at least all resources of major economic importance, in accordance with a general economic plan. It is, however, no less clear that, where Socialism is introduced by stages and in a constitutional way, the economic system is bound to pass through a transition during which it is partly planned while it is still partly left to the unco-ordinated activities of private capitalist enterprise. There must, indeed, be many such stages, through which the planned sector of the economy will be progressively enlarged until it comes to cover all the key positions of the economic system as a whole.

This book does not purport to deal at all with the organization of a completely planned economic system. I am considering, not the task of reorganizing British economic life on a thoroughgoing socialist foundation, but what ought to be done by an incoming parliamentary Government determined to introduce, at the very outset, the largest practicable amount of planning and of social ownership and control. Accordingly, the following suggestions are to be interpreted as relevant mainly to the situation which would face an incoming Government of this type: and consideration is given to the more fundamental forms of economic reorganization which would have to come later on only to the extent to which it is indispensable that the

initial steps shall be taken in such a way as to facilitate the development of Socialism.

It seems best to begin by stating clearly the assumptions upon which this book is based. It assumes, in the first place, a Government returned to office with a majority in the House of Commons and with a mandate authorizing it to extend considerably the sphere of economic planning and public control, but not so as to dislocate the existing system in those spheres of activity which are not immediately reorganized or controlled. It assumes that this incoming Government will need to avoid any action likely to cause widespread unemployment by upsetting the existing economic arrangements before it is in a position to make alternative arrangements of its own. This, of course, means that the Government must be prepared, if necessity arises, to take measures to counteract any form of capitalist sabotage.

Secondly, it is assumed that in their broad essentials the structure of Parliament, the Cabinet system, and the organization of the Civil Service remain unchanged. It may indeed be desirable, at a fairly early stage, to undertake a fairly large measure of Cabinet reorganization, involving corresponding changes in the structure and working of the Civil Service. It will, however, be difficult for an incoming Government to attempt any comprehensive reorganization in these fields at the very beginning; and accordingly it will be necessary to bring some sort of planning machinery into existence with at the most only secondary initial changes in Cabinet structure, or in the distribution of functions between existing government departments and agencies.

It is, however, indispensable for the incoming Government, among its very earliest measures, to create some sort of preliminary machinery for the co-ordination of economic planning. Whatever it may be doing simultaneously towards the reorganization of particular industries or services, it would be disastrous if its measures in these various fields were handled in isolation one from another, as such measures usually have been in the past, or out of relationship to the general problem of economic development, full employment, and the raising of the standard of life. Moreover, it will be much easier to work out a system of priorities for the tackling of urgent economic issues if there exists some co-ordinating body responsible for studying both the interrelated working of the various parts of the economic system as it is, and the reactions which changes introduced into one part of it are likely to have on the others.

It is sometimes argued that this is the wrong way of beginning, and that the Government should content itself at the outset with tackling particular problems, and should not attempt to set up any central machinery for economic planning until considerably later. There are, however, cogent reasons for rejecting this contention. If new organs of control are established piecemeal, without any co-ordinating principle or authority, it may prove exceedingly difficult to make them fit in later with any general scheme of planning, or to ensure that each separate service makes its appropriate contribution to the general plan. It is not suggested that the various agencies set up for particular purposes should be uniformly organized. But the more diverse they

are, the greater is the need for some central body influential enough to co-ordinate their work.

Nor is this all. Any general economic plan involves, especially in its early stages, an authority wide enough in scope to bring under review the working not merely of such special agencies as may be created for the planned control of this or that particular service, but also of industry and business as a whole. One of the most valuable functions of the central planning organization will be to keep a careful eye on the operation of those industries and services which it is *not* proposed immediately to take over or to reorganize under some form of public control.

On these grounds, it is indispensable that the Government should promptly set up some form of central machinery for economic planning, in addition to special bodies for the administration or supervision of particular industries or services. But clearly such machinery as can be established at this preliminary stage can be no more than provisional, and can be endowed with but a fraction of the powers and functions which it will be necessary for a developed planning organization to acquire. It is, however, none the less important to ensure that the initial machinery shall be organized in such a way that it will be easy to add to it further functions from time to time, and to work it in with later changes in the general structure both of the Cabinet and of the parliamentary and administrative machines.

CHAPTER II

EXISTING POWERS

IT is, of course, a highly relevant fact that the Government, through the various civil service departments and through a number of *ad hoc* agencies, is already exercising a very wide range of economic powers. As matters stand, these numerous powers and functions are being exercised by the various agencies responsible for them with very little co-ordination beyond the financial control possessed by the Treasury over the day-to-day activities of most government departments, and of some but not all of the *ad hoc* agencies acting under public auspices. Evidently it will be of the greatest importance for the Government to consider at the outset how far certain of these existing powers should be transferred or brought into closer relation to the work of the contemplated planning organization. It will, however, in view of the manifest need for getting rapid results, be wise to reduce transfers of this sort to a minimum in the earliest stages, and to work as far as possible through existing agencies, even where they are certain to need reorganization later on. Changes in departmental organization are bound to take time; and the incoming Government will have none to spare for what is less than indispensable. In the main, then, it will have to take the administrative system as it finds it.

These existing powers of the Government and its agencies are of very varying character. They include

the direct operation by the State of certain large-scale services such as the Post Office and the productive activities of the Office of Works, the Stationery Office, and the three Service departments, over which a co-ordinating Minister already possesses some degree of control. They include further the authority exercised by the Government over such public or semi-public corporations as the London Passenger Transport Board, the British Broadcasting Corporation, the Central Electricity Board, the Port of London Authority, the Forestry Commission and certain lesser bodies administering actual productive services. They include again numerous supervisory activities over industries and services which remain in private ownership. The control exerted by the State over the railways through the Railway Rates Tribunal, the powers of the Electricity Commissioners and the Railway and Canal Commission, and the influence of the Import Duties Advisory Committee over the steel and other industries may be cited as examples of State control at present exercised by bodies which are at any rate in theory independent of the Government of the day. There is also in a different field the key influence exerted by the Treasury over the Bank of England—an influence which has been greatly strengthened by the institution of the Exchange Equalisation Fund under the direct control of the Government.

In a somewhat different sphere there is the wide authority over local government affairs exercised chiefly through the Ministry of Health and the Board of Education. Economically, this control is of special importance in relation to housing and other forms

of building, including the building of schools and other public institutions; and accordingly it occupies a key position in relation to any policy of public works designed to combat depression. Then there is the widespread supervisory activity of the Ministry of Transport in relation to roads and road transport agencies—an activity which has assumed still wider importance as a result of the institution of a national road system. The Ministry of Agriculture has its growing responsibility in relation to the structure and working of the various marketing schemes; the Department of Overseas Trade is responsible, jointly with the Foreign Office, for the consular services, and has many important economic functions in connection with export credits and commercial openings abroad; and the Board of Trade, through its numerous sub-departments, is concerned with the control of shipping and other industries as well as with the negotiation of trade treaties and agreements, which exercise a considerable influence on the distribution of British productive activity through their effects on British international trade.

Finally, there are the extensive social service and welfare activities carried on under the Acts relating to Social Insurance, Factories and Workshops, Mines, Trade Boards, Agricultural Wages, Food Adulteration and many other matters.

It would clearly be undesirable, even if it were possible, to attempt to co-ordinate most of these numerous activities under the auspices of any sort of planning machinery which could be set up at the initial stage of the new policy. But however small the direct functions of the new planning organization

may be at the outset, it is of the first importance that it should be in a position to receive full and prompt information concerning all governmental or semi-governmental activities affecting the economic life of the community; for without this information it cannot even make a beginning with its task of co-ordinated planning. This indicates two necessities—first that the new planning organization ought to be equipped with a thoroughly adequate research and information department, in close contact with the work of all the government departments concerned with economic affairs, and secondly that the new organization must possess from the very beginning a status so unquestionably high that its right to be kept fully informed and to tender expert advice about current activities and pending developments cannot be challenged.

CHAPTER III

BASIC PRINCIPLES

IF this book deals only with planning upon a national scale, that is not because its author is unmindful that Socialism is essentially international, but simply because it is futile to discuss all things at once.¹ However international our conception of Socialism may be, our primary task is to plan its introduction into our own country, and to work out our particular part of the coming world order of Socialism. Doubtless, the planning of Socialism on a national scale itself involves the planning of the relations between one country and another; and therefore national economic planning for Socialism involves the planning of international trade and exchange. But I am here dealing exclusively with the planning of the economic activities of society upon a national scale. This necessarily includes the planning of foreign trade in certain of its aspects; but even this is considered only by the way. The object of this study is to discuss the planning of home production and the satisfaction of the home consumers' wants, or rather, the actual organization requisite for these purposes. It deals, moreover—let there be no mistake—not with planning in Utopia,

¹ Separate studies are in preparation by the Planning Section of N.F.R.B., dealing with the planning of foreign trade and of retail distribution. This is why these two vital matters are not discussed in this book, though they are obviously closely related to the questions which are dealt with, and the conclusions reached upon them may affect some of the proposals herein advanced.

or for a completely socialist society, but only with so much planning as can reasonably be expected to be introduced by a Socialist Government, acting along parliamentary lines, within a few years of taking office.

But, before I come to my main task, I must make certain broad generalizations in order to clear the ground. Socialism, as an economic system, involves the planned distribution of the available resources of production in such ways as will best serve the welfare and happiness of the people. This in turn involves that certain fundamental decisions must be collectively and democratically made. Under Socialism the people will have to settle collectively the relative worth to be assigned to greater production and to greater leisure. They will have to decide, by democratic means, how long and, broadly, how hard they are prepared to work, by setting general limits to the length of the working day and to the intensity and character of the labour that is to be looked for within its limits. The first of these decisions is, of course, a very much simpler matter than the second; for a maximum working day and week can be laid down by law either generally, or for particular occupations or industries, in accordance with their specific conditions, whereas the intensity of labour depends partly on the conditions of organization and discipline in each particular group, partly on the individual workers, and partly, and to a growing extent, on the technical character of machine production.

In the second place—and this is what most people think of instinctively as the primary characteristic

of a planned economy—there will have to be a collective decision, or series of decisions, about what is to be produced, or in other words about the uses to which the productive resources of the community are to be applied. This involves two distinct problems. It has to be settled how much of the available productive power is to be devoted to the supplying of goods and services for current consumption, and how much to the production of capital goods with a view to the better supplying of future needs; and further, within these two categories it has to be settled what things are to be produced in preference to others—for there are many different kinds both of consumers' goods and services, and of capital goods. The decisions which lead to the production of capital goods as distinct from consumers' goods may be termed decisions as to investment; and under Socialism either the Government or some agency acting under its authority will have actually to take these decisions and to become itself in effect the responsible 'owner' of the capital goods which it orders to be produced.

On the other hand, consumers' goods, unlike capital goods, are destined to pass into the possession of the individual citizens, and by them to be used up. Accordingly the planning authority cannot decide what consumers' goods can best be produced except in relation to the consumers' wishes. The State may, indeed, decide to encourage some forms of consumption among the citizens, and to discourage, or even prohibit, others. It may decide to supply some types of goods and services free of charge either in limited quantities or without limit. But as far as the

vast majority of goods and services are concerned, the State's aim will presumably be, not to stimulate consumption of one thing as against another, but to give the various consumers what they most want. In other words, the output of the various types of consumers' goods will be planned mainly in response to the consumers' actual or expected demands.

The consumers' demands, however, depend upon the prices charged for the various goods and services, and also upon the way in which incomes are distributed. A community in which every individual or every family possessed an equal income would have a very different schedule of demands from one in which there exist large inequalities of purchasing power between different classes. And every shift in relative prices of different goods involves, given the distribution of incomes, a different schedule of demands for the various types of goods and services.

Accordingly, the planning of what is to be produced is intimately connected with two other aspects of planning—with the distribution of incomes in the community and with the method of pricing different types of goods. A further essential aspect of planning is accordingly the planning of incomes—the determination of the general principles which are to govern the distribution of incomes, whether they are paid out as rewards for work done or in any other way. And yet another essential aspect of planning is the adjustment and control of prices—the determination of the general principles on which prices are to be fixed or regulated for the various kinds of goods and services. This last question is, further, bound up with the question whether, in fixing the

prices of socially controlled products, account is to be taken of the amounts of capital used up in producing the various goods and services, and of the time over which this capital is locked up in the various productive processes. In other words, are things to be priced in accordance with their respective costs of production, so as to include capital costs, and, if so, are capital costs to be regarded as including a rate of interest on the capital used in production ?

This book makes no attempt to provide any complete answers to these fundamental questions, which are for the most part answerable only experimentally—by actually trying out alternative solutions, and seeing which works best. They are set down here simply in order to indicate the types of problem with which the machinery of a planned socialist society will have to deal, and because it is necessary to bear them in mind in devising the appropriate machinery even at the very beginning. They may be summed up broadly as follows:

1. Where is the line to be drawn between work and leisure and between reasonable and unreasonable intensity of work ?
2. What proportion of the available productive resources is to be devoted to satisfying the current needs and demands of the consumers, and what proportion to investment with a view to future needs and demands ?
3. Within these two groups, how much is to be produced of one kind of thing in preference to another, i.e. what forms and amounts of capital

investment are to be authorized with a view to future production, and what kinds and amounts of goods and services are to be supplied for immediate consumption ?

4. What principles are to govern the distribution of incomes, including both incomes paid out as a return for work, and incomes of other sorts ?
5. What principles are to govern the pricing of the various types of goods and services, and what prices (i.e. rates of interest), if any, are to be set upon the use of capital ?

To these five questions I may now proceed to add another, which I have set out apart because it relates, not to the real resources of production, but to the tokens in terms of which incomes are paid out and goods and services bought and sold.

6. What is to be the monetary system of the community, and on what principles is the supply of money for various uses to be determined ?

The planning machinery of a completely socialist society would have to include agencies for the definitive answering of all these questions. In effect, the answer to each question would be bound up with the answers given to the rest; and in most cases the finding of the right answers would involve, not arbitrary decision by a central planning authority, but constant adjustment of decisions in the light of actual experience and changing conditions, and constant collaboration between the central planning agencies and the sectional bodies—local as

well as national—directly concerned with the actual execution of the various parts of the plan.

An incoming Socialist Government, however, would obviously not need to face at the outset more than a small part of this comprehensive task. It would not be taking over the whole economic system, but only certain key positions of control. It would have no power to determine, in any complete sense, how much should be invested or consumed, or exactly what should be produced, or how incomes should be distributed, or what prices should be charged for all the various goods and services. It would only be setting about the task of establishing a form of economic organization which could, later on, be so developed as to deal with all these matters in a more comprehensive way. I shall, therefore, in relation to the six problems which I have set down, ask only how far it would be requisite for an incoming Socialist Government to create special agencies for dealing with them at an early stage in its career—say within the life of a single Parliament, or at most within six or seven years of its first assumption of office.

CHAPTER IV

WORK AND LEISURE

THE permitted hours of labour, and the minimum assured provision of leisure, are already dealt with by legislation covering a large number of occupations, as well as by collective agreements in most organized trades. But a Socialist Government would at an early stage need to pass further legislation laying down a maximum working week of substantially shorter duration than the Factory Acts at present provide for. The Government might adopt the forty-hour week, or some reasonable modification of it. It would also be likely to pass legislation dealing with paid holidays, and with the hours of labour in occupations which are at present outside the scope of legal regulation.

The question of the intensity of labour could hardly be dealt with in this simple way. But the question is of the first importance in view of the tendency to greater and greater speeding up which modern forms of mechanization involve. The Government might well, therefore, develop the Industrial Fatigue Research Board and give it a continuous mandate to inquire into and report upon working conditions in the various occupations from the standpoint of their effects on health and happiness, and of the nervous strain involved in them; and the Board might be given power to recommend to the Government either changes in working conditions or special reductions in hours of labour

wherever unsatisfactory signs of fatigue or overstrain were found to exist.

The Government would also presumably raise the school leaving age at once effectively to 15, and after notice to 16, thus reducing the supply of juvenile labour. It would also be pledged to introduce a system of retiring pensions for elderly workers on an adequate living scale, and thus take a further body of workers off the labour market. These reforms are mentioned here as affecting the total supply of productive resources and therefore as basic to the formulation of any sort of economic plan. It does not, however, seem necessary to discuss them further, as they raise no problems concerned with the types of planning machinery that will need to be set up.

CHAPTER V

CONSUMPTION AND INVESTMENT

THE total of new investment is determined at present (*a*) by the decisions of business firms to apply part of their profits to the increase of their capital resources or to raise money from members of the public who have resources available for lending or investment; (*b*) by the use made of the funds at their disposal by banks, insurance companies, and other specialist financial agencies; and (*c*) by the decisions of public bodies to finance capital works out of either current revenue or borrowing.

From the gross total of new investments there must be deducted, in order to arrive at the net total, any deterioration of the existing capital not covered by replacements charged against the costs of production, or otherwise provided for before net incomes are ascertained.

It is pertinent at this point to observe that the growth of huge reserves accumulated out of profits in the hands of great business concerns, the vast sums available for investment in the hands of insurance companies and other financial agencies, and the part played by banks and issuing houses in directing the course of investment, have resulted in a remarkable centralization of the process of capital accumulation. The small saver plays nowadays only a very small part in determining the uses to which his money is to be put—and in view of his financial ineptness, often not a wise one. As far as investment

is privately controlled, its direction is settled very largely by a quite small number of persons and agencies, who are able to manipulate the money of the smaller investors to suit their own interests—interests which by no means necessarily coincide with the public good.

In a completely socialist community, all investment would be a collective concern, and incomes for current spending would presumably be distributed to individuals only after the determined appropriations for investment had been made. But in the transitional stage which is now in question, this would not be the case. Privately owned businesses would still be building up and investing reserves, and individuals would still be saving and investing some part of their incomes. Insurance companies and financial agencies would still be in command of large masses of capital. Banks would still be making advances for working and sometimes also for fixed capital; and public authorities would still be financing capital works out of taxes or loans.

Clearly it would be indispensable to create at once some sort of authority able to influence to some extent the form and direction of these types of investment. The proposal commonly made is that the Government should set up a National Investment Board with powers which, even if they were small at the outset, could be rapidly increased as it became practicable to exert a larger measure of control over the capital market.

It is not easy to lay down either the precise powers with which a National Investment Board should be armed at the outset, or what should be its

relationship to the various existing bodies, public and private, which are already concerned in one way or another with questions of investment policy. It would be possible to construct an elaborate schedule of powers and duties which the National Investment Board might be called upon to assume, or to co-ordinate where they were to be actually exercised by other agencies. But any such list would tend to suggest either too little, or too much. It would suggest too much, if it enumerated all the duties which a National Investment Board *might* be called upon to assume, even at a comparatively early stage; and it would suggest too little if it mentioned only those duties which would certainly be entrusted to the Board.

It seems best, therefore, instead of an enumeration, to deal only with the main problems relating to investment with which a Socialist Government would have to concern itself, without attempting to lay down dogmatically which of them should fall under the care of the National Investment Board and which should be left or placed in other hands.

A distinction can usefully be drawn between what may be called negative powers of control on the one hand, and positive powers of administration on the other. Negative powers relate mainly to the control of the investment market, as it now exists, and positive powers to the actual raising of money needed for public purposes or in connection with the Government's economic plans.

Negatively, the following questions appear to be of special importance:

- (a) the control of foreign lending;

- (b) the control of new public issues of capital by joint stock companies, and of 'offers for sale' of shares or bonds;
- (c) the control of new issues made by municipalities, or by public corporations such as the Central Electricity Board;
- (d) the supervision of the policy of joint stock banks in making advances for industrial development or purposes connected therewith;
- (e) the supervision of insurance companies, in respect of the investment of their funds;
- (f) the supervision of joint stock companies, from the standpoint of ensuring adequate disclosure of their affairs in accordance with the Companies Acts;
- (g) the prevention of share-pushing.

Of these duties, any of which might appropriately at some point be entrusted to the National Investment Board, (a) is at present in the hands of the Treasury, acting on the advice of a Foreign Investments Committee representing the Bank of England, the Stock Exchange, and other financial agencies. The easiest course would be to leave the power of regulation temporarily where it is, merely altering the composition of the committee so as to make it more representative of the public interest, and to include on it representatives of the National Investment Board; and perhaps also to extend its competence to include short-term as well as long-term lending abroad.

(b) and (c) at present fall to a considerable extent under the *de facto* control of the Bank of England; and there is no essential reason why they should not

remain where they are, on the assumption that the Bank is nationalized at an early stage. It might, however, be preferable to transfer the control of municipal and other public issues (or rather the power to advise as to their terms and dates of issue) from the Bank directly to the National Investment Board, while leaving the Bank to advise as to private issues, which its *de facto* authority over the private issuing houses gives it a special ability to control. The Bank should, however, act in close consultation with the National Investment Board, which would thus immediately acquire the function of an advisory body dealing with the whole field of public joint stock issues.

(d), the power to influence the lending policy of the joint stock banks, would also be exercised most appropriately through the nationalized Bank of England, acting here again in close consultation with the N.I.B.

(e), the supervision of insurance companies' investment policy, should, I think, be taken over at once by the N.I.B., pending the nationalization of the insurance business, on which the N.I.B. might well be asked to prepare an immediate report as a basis for government action.

(f) and (g), relating to the control of joint stock company abuses, would be better left for the time being in the hands of the Board of Trade, armed with larger powers under an amended Companies Act.

Thus, in this field of negative control, the National Investment Board could start with the power to advise upon municipal and other public corporation

issues of capital, and with the function of consulting with the Bank of England and the Treasury on a number of other matters, without assuming any definite responsibility for them.

In the field of positive control, the matters of special importance include the following:

- (h) the making of public issues of capital, in order to provide a fund available for investment in enterprises necessary for the development of the Government's economic plan;
- (i) the guaranteeing of interest (and/or principal) on new issues made by public bodies, or by public utility concerns, for approved purposes connected with the economic plan;
- (j) the subscribing of capital, out of the funds raised under (h), for any approved purpose connected with the economic plan;
- (k) the establishment and financing of agencies for particular purposes, such as the development of new industries in the depressed areas, the reorganization of depressed or disorganized industries, or the financing of import boards or marketing schemes;
- (l) the holding of reserves of capital accumulated by the Government in prosperous years, in order to form a Development Fund to be used in times of bad trade for public works designed to counteract fluctuations in the volume of employment.

It is upon this group of positive powers that the usefulness of a National Investment Board must chiefly depend. The power (h) to raise capital from the public, on the basis of the Government's credit,

and to apply these sums to investment in enterprises essential to the Government's economic plans, is indeed the central function which the N.I.B. should assume. This power might in fact be used sparingly at first; but it is plainly capable of immense development as the Board gains experience and the Government's plans mature.

The power (*i*) to guarantee new issues made by certain public or semi-public bodies resides at present in the Treasury, and might well remain there, subject to consultation with the N.I.B., which should have power to recommend its exercise in any particular case.

The powers (*j*), (*k*) and (*l*) are logical developments of the power to raise money from the public for reinvestment in approved forms of enterprise. They, too, would probably be used at the outset only to a limited extent; but their use could be extended later to any degree that might seem desirable.

This list of duties is intended to give the National Investment Board, from the outset, the chance gradually to acquire a key position in the control and operation of capitalist finance, and also a considerable power to influence the course of investment in new enterprises. It is, of course, clear that these powers would need to be used only experimentally in the early stages. Their use could, in effect, be developed gradually; and many of them might be relegated in detail to subsidiary agencies. But it is important that the National Investment Board should possess an influence (often in a merely advisory capacity) over a wide field, even if, in fact, a considerable proportion of the duties relating to

the control of investment would in practice continue to be administered by other bodies, such as the Treasury and the Bank of England.

Clearly the National Investment Board, operating within these limits, would not be in a position to determine what proportion of the available productive resources should be devoted to investment, as against current spending. It would have no power to enforce any sort of 'saving' upon the community—only a limited power to influence the direction of investment, both by favouring some forms as against others, and by itself entering the capital market as a borrower, and thereafter relending the borrowed money in accordance with the Government's plan of economic development, which would become with time and experience more extensive in its scope.

Under the conditions envisaged, for some time, the major part of current investment would continue to be made, as at present, either by businesses out of reserved profits, or by private purchases of new securities offered for sale, or by the action of public bodies such as local authorities, or public boards or corporations. The difference would be that most of these forms of investment would come under co-ordinated review, and in some cases under the requirement of prior authorization by some official agency—though it might of course be decided to give general authorization to certain kinds of investment—for example, local loans for housing or other public purposes. Only by stages would the Board itself become a large borrower and investor on its own account.

It remains to consider how the National Investment Board should be constituted, and what should be its relations to the Government. It seems clear that it would have to be a small and expert, and not a representative, body, and that it would have to consist of suitably qualified persons who would give the whole of their time to its work. It would of course be indispensable to insist that its members should have no private interests which might conflict with their duty of public judgment. Accordingly the appropriate method of appointment would be that the members of the Board should be chosen by the Government, without any limitation on the range of choice, beyond the requirement that any person chosen would have to renounce any previous connection with the conduct of private business.

It would, of course, be possible to constitute, side by side with this board of experts, some sort of advisory council representing the various interests and groups most closely connected with the work of the Board. But it would be very difficult to find a satisfactory basis of representation for such a body; and it seems better to leave the Board full freedom to consult with the representatives of any interest or group affected by its projects or decisions, without creating any official body for this purpose.

The Minister chiefly responsible for the co-ordination of economic policy—who he should be is discussed later on in this book—should, I think, be *ex officio* President of the National Investment Board, with power to attend its meetings on important occasions, and with responsibility in Parliament for its proceedings. But normally the

Minister would obviously have no time to attend the Board, which would be presided over by a chairman, acting as his deputy. One possibility would be to lay down, in order to safeguard parliamentary control, that this chairman should be a Member of Parliament, with the rank of a Parliamentary Secretary to the Minister; but, in view of the highly technical functions of the Board, it might be better to have an expert chairman unconnected with Parliament, while making provision for someone, with the rank of a junior Minister, who would answer questions in Parliament relative to the work of the Board. The Minister should have power at any time to issue instructions to the Board upon matters of policy, and to disallow any of its decisions. The Board should be, in form, an advisory body, and its functions in effect should be not to determine general policy, but rather to apply in detail the policy approved and authorized by the Government in power. This is indispensable, if the Board is to serve as one of the instruments of a coherent policy of economic planning.

I shall discuss somewhat more fully at a later stage the relations between the National Investment Board and the Government, when I come to consider the machinery of planning as a whole.

CHAPTER VI

THE DISTRIBUTION OF INCOMES

JUST as an incoming Socialist Government cannot immediately acquire power to control the relative levels of consumption and investment, so it cannot at once assume any general control over the distribution of incomes. It will inherit a system of distribution which its members will regard as unjust, and will desire to modify as speedily as possible in the direction of greater equality. It will aim at doing this in a variety of ways—by raising wages and improving and extending social services, by remodelling the systems of taxation and local rates so as to make them less regressive, by preventing excessive profits, and by keeping rates of interest at the lowest practicable level.

Obviously, this book is not the appropriate place for a discussion of the steps to be taken in these various fields. I am concerned here with the distribution of incomes only in so far as it is directly relevant to a consideration of the machinery of economic planning. In other words, it is necessary to consider whether it would be expedient to establish any general body to review, and within limits influence, the distribution of incomes on lines analogous to the control over investments to be gradually taken over by the National Investment Board.

In the first place, there is the question of wages. At present, the Ministry of Labour is responsible for

the collection of data concerning wages and earnings over a wide range of occupations; but it would be desirable to have fuller and more frequent information about actual earnings over the widest possible field, in order to be able to measure more accurately both fluctuations in the total purchasing power in the hands of the workers, and its distribution, and to see more clearly where serious cases of underpayment and under-employment exist. The collection of the required data should clearly be entrusted to the Ministry of Labour, which possesses the necessary experience and expert supervisory staff. But it would be desirable to have some authority which, on the basis of the data thus collected, could report regularly on the wage situation as a whole, so as to draw attention to the 'black spots,' and propose legislative changes, or the extended use of existing powers, or the institution of public inquiries into particular industries with a view to action. This additional function could suitably be handed over to a strengthened Industrial Court, which would, of course, also retain its function as a voluntary court of arbitration open to any disputants who might choose to submit their affairs to its judgment.

But something more will be needed than information, and the fuller use of existing powers. While many of the more sweated trades are now covered by trade boards, there remain both a large number of miscellaneous occupations which are outside the scope of wage regulation, or of effective collective bargaining; and there are also, in trades which are on the whole better paid, patches of underpaid, and even sweated, labour. This gap in wage regulation,

and the unco-ordinated character of the trade board system, seem to make it desirable to constitute, under the Ministry of Labour, some more general authority for dealing with cases of low wages. This could be done by setting up a Minimum Wage Commission, with power (a) in trades outside the scope of trade board regulation, but suffering from sweated conditions, to fix minimum wages after hearing representatives of the parties, with the same compulsory powers as are at present exercised by trade boards, and (b) to recommend to the Ministry of Labour the creation of additional trade boards.

The powers of both the proposed Minimum Wage Commission and the Industrial Court, and also of boards under the Trade Boards Acts, could be made to extend to the regulation of hours of labour as well as to wages; and it should be one of the duties of the Commission or of the Industrial Court to hear applications for the modification or relaxation in particular trades of any general regulation fixed by law—such as the general enactment of the forty-hour week.

In addition, there seems to be special need, under present conditions of increasing mechanization, for the existence of a body instructed to report regularly upon the effects on health and welfare of the conditions of work in the various occupations, and to conduct special investigations into all occupations in which there are allegations of overwork or overstrain, or unsatisfactory working conditions. An authority of this kind could be created, as we have seen, by an extension of the personnel and functions of the Industrial Fatigue Research Board, or perhaps

at a later stage by bringing this body, together with the Factories and Mines Inspection Services, under a common co-ordinating authority. Alternatively, there could be created, as soon as the circumstances seemed ripe for it, a General Industrial Welfare Board, to which all the bodies dealing with the regulation of wages and conditions could be attached. This Board would then become a department of the Ministry of Labour, with the Minister of Labour as *ex officio* President and a Parliamentary Chairman on the lines already considered in the case of the National Investment Board.

At a subsequent stage of socialist planning, this body, assisted by an advisory council representing the trade unions, the Co-operative Movement, and the socialized industries and services, might well develop into the responsible authority for the final determination of wages and conditions of work throughout the economic system.

The regulation of wages, however, is only one aspect of the distribution of incomes. It would, I believe, be a great advantage if there existed a body with the duty of reporting regularly upon the size, character and distribution of the national income, the nature and effects of the tax system, the influence of the social services on redistribution of incomes, and the current levels of consumption. The duties of such a body—at any rate at the beginning—would be purely those of statistical investigation and report—the co-ordination and supplementation, when necessary, of data which would continue to be collected by a number of different agencies, ranging from the Commissioners of Inland Revenue,

and Customs and Excise, to the Registrar-General, and the Office of the Census of Production. The suggestion would involve making the Census of Production a continuous, instead of an occasional, affair, and also widening its scope to include economic services, such as Transport and Distribution, as well as Mining and Manufacture. It would involve making all departmental information fully available to the reporting authority, which could then produce an annual report upon the condition of the people, analogous in certain respects to the 'Progress of India' reports issued by the Indian Government.

Clearly, this would involve the development of an adequately staffed central statistical office, with which existing statistical agencies would have to be brought into close relationship. The development of such an office, under the direction of a reporting body of the type here proposed, would be one of the most important preliminary steps towards the preparation for any sort of effective economic plan. The work could probably best be placed in the hands of a single responsible officer, aided by expert subordinates, and also by an advisory council of experts engaged in various fields of economic activity or research. The responsible officer should be a civil servant of high standing (though he might of course be chosen from outside the Service), and should be directly attached, with his office, to the Minister chiefly responsible for the consideration of economic policy. This office could in process of time become the statistical branch of a fully developed department for economic planning.

CHAPTER VII

SOCIALIZATION

IT does not fall within the scope of this study to consider the socialization of particular industries or services, but only the general conditions under which socialized enterprises should be co-ordinated in accordance with the requirements of an economic plan. Obviously, the placing of each socialized service under an entirely independent administration is inconsistent with any sort of planning. Unless socialized enterprises are to reproduce many of the defects of planless capitalism, there must be some sort of co-ordinating authority to which the bodies controlling the various services can be made responsible in matters of general policy, however much independence they may be given in matters of day-to-day administration.

Where industries or services have been socialized under capitalist Governments, every effort has been made to defeat the possibility of planned control by making the bodies set up for their conduct independent of any co-ordinating authority. The Minister of Transport has only a very limited control over the Central Electricity Board. The Government has more control, at any rate in theory, over the Electricity Commissioners, who are in effect almost a department of the Board of Trade; but their duties are supervisory and judicial rather than administrative. In the case of the London Passenger Transport Board, the Minister has hardly any control

at all, and even the members of the Board are appointed in such a way as to exclude all possibility of effective government supervision.

Clearly this will not serve, from the standpoint of any government which aims at introducing a planned system, and advancing towards socialist planning at the quickest possible rate. The methods of appointing and controlling the boards of existing socialized services will have to be entirely recast, so as to fit in with the requirements of a planned system, and new boards will have to be set up and controlled in quite different ways from those which have been established by capitalist Governments.

One question which immediately arises is whether there should be separate boards for each socialized industry or service, all these boards being directly linked together under some general planning authority, or whether industries or services should be grouped, so that each group would have a supervising authority in addition to the administrative boards set up for the actual management of each separate service.

At any rate in certain instances, the second method is to be preferred. Each service will, of course, need a separate board of management; but it seems to be clearly desirable that, for the whole of the services dealing with coal and power supply, there should be a common controlling authority, capable of exercising a co-ordinating supervision over the policies of the separate managing boards covering coal, electricity, gas, oil (including oil from coal), and other related services. Similarly there should be a common authority for transport, supervising the

work and directing the policy of the boards or other authorities responsible for railways, road transport for both passengers and goods, air transport, inland waterways and coastwise shipping, docks and harbours, and road construction and maintenance services. It is a matter for further consideration whether ocean-going shipping should also be brought within the scope of this same co-ordinating body, or left under the auspices of the Board of Trade, which has been responsible for it since the abolition of the separate Ministry of Shipping created during the war.

This function of co-ordinating the various boards entrusted with the conduct of particular services could be remitted, at the outset, to the government departments which are already in some degree responsible for the services concerned. Thus, the Ministry of Transport would be the natural authority to take over the co-ordinating control of the whole range of transport services; and the co-ordination of coal and power could be entrusted to the same Ministry (which has already certain important powers in connection with electricity). If this were done, the department of the Secretary for Mines would presumably be transferred (as the control of electricity has been already) from the Board of Trade to the Ministry of Transport, which would be developed into a Ministry of Transport and Power.

The Minister, if he thought fit, could at any stage delegate his functions—subject always to his own final control and responsibility—to special bodies. Thus, it might be decided to set up—but not necessarily at once—a Transport Commission and a Coal

and Power Commission with the duty of co-ordinating these two main sections of the Ministry's work. In any case, it would almost certainly be necessary for the Minister of Transport to have under him two Parliamentary Under-Secretaries—one, who would replace the Secretary for Mines, specializing on questions of Coal and Power, and the other on questions of Transport. If it were decided to set up co-ordinating Commissions for these two groups of services, the two Under-Secretaries would take charge, under the Minister, of the work of these bodies.

Other industries, as they were either socialized or brought under some measure of public control, would presumably be made subject to the co-ordinating authority of the President of the Board of Trade, who would appoint the members of the boards entrusted with the work of management or control. In this case also, it might be found desirable, though not necessarily at once, to group certain industries (e.g. the metal or the textile trades) under co-ordinating Commissions directly responsible to the Minister.

Similarly, the Minister of Agriculture would acquire the co-ordinating responsibility for all forms of agricultural planning, including the supervision of the various schemes of agricultural marketing; and here again the Minister might decide to set up, sooner or later, some sort of special Commission for the detailed exercise of his powers of co-ordination over the various bodies engaged in day-to-day administration of agricultural planning.

The functions of these co-ordinating Commissions,

if they were set up, would be supervisory and not administrative. It could be one of their most important tasks to prepare schemes for the socialization or reorganization of industries or services falling within their respective spheres. They could, moreover, be responsible, not only for the co-ordination of socialized services, but also for the detailed exercise of such state control as might be instituted over industries or services which still remained in private hands. Thus, detailed co-ordinating control over the various agricultural marketing schemes, subject to the final authority of the Minister of Agriculture, would pass into the hands of the Agricultural Commission.

I am assuming that the boards of management for particular services would, as a rule, consist of full-time public servants chosen on grounds of suitability and competence, and not in a representative capacity. This would not, of course, exclude the choice of trade unionists; but on appointment the persons chosen, whatever their previous positions, would become public servants, and would cease to represent any particular group or interest. It would be desirable that all appointments should rest with the Government, acting through the appropriate Minister; but, if supervisory Commissions of the kind suggested were set up, the Minister might well act as a rule on the advice of the Commission covering the service in question.

The methods to be used in appointing the members of supervisory Commissions have next to be considered. I hold that any such commission had better have as its *ex officio* President a Minister—usually

the head of an existing government department—and as its Chairman a Member of Parliament with the rank of an Assistant Minister or Parliamentary Under-Secretary. This Chairman would in fact normally preside over the Commission, and act as its spokesman in Parliament. It might be necessary in each case to provide for a limited number of full-time commissioners who would be or become civil servants in the same way as the members of the boards of particular industries. But I am inclined to think that the majority of each Commission should consist not of full-time civil servants, but of part-time members, including Members of Parliament, leading trade unionists and co-operators, and other persons chosen on special grounds of personal competence for the work. The proposal to include Members of Parliament I regard as of special importance, because it provides a means of linking the back-bench members with the constructive work of socialist administration, and will facilitate intelligent parliamentary control over economic affairs. All appointments of commissioners would need to be made by the Government—that is, by the appropriate Minister in each particular case.

The existence of a number of Commissions of this type, capable of covering among them, as socialization and social control were extended, the greater part of the economic system, would greatly facilitate the task of building up the new planned economy both by bringing new industries under public ownership and by widening the range of control over non-socialized industries and services. It is not suggested that, at any rate to begin with, the several

Commissions should be linked up one with another, except through the Minister generally responsible for the co-ordination of the Government's economic plan. The need for further co-ordination might emerge at a later stage, but in the phase here considered it seems best to leave the work of co-ordinating the policy of the various groups of industries and services in the hands of the Government itself. How this power should be actually exercised will be considered in a later section.

It is not contemplated that the proposed Commissions should necessarily be set up at once, or that they, any more than the separate boards administering particular services, should have power to make policy save within the general directions of an economic plan laid down by the Government itself. The responsibility for general economic policy must rest with the Government and with Parliament, and not with any *ad hoc* body. Accordingly, the Government, acting through the appropriate Minister, will need to reserve complete power to direct the policy of the Commissions, and to disallow any decisions which run counter to its general economic policy. This is plainly essential to the working of any general economic plan and to the effectiveness of democratic control.

CHAPTER VIII

CONTROL OF NON-SOCIALIZED ENTERPRISES

IT has been suggested that the powers of the Ministers at the head of the various economic departments, and of the proposed co-ordinating economic Commissions, should extend, not only to the supervision of socialized services, but also to the control of non-socialized forms of enterprise. Such control could be exercised either directly by the Minister or by the appropriate Commission, or where any elaborate control was involved, through a special board of control related to the Minister or to the Commission in much the same way as the boards of particular socialized services—but with the difference, that boards of control over non-socialized industries would not necessarily consist exclusively of full-time public servants. For example, if it were decided, without social ownership for the time being, to set up a board of control for the coastwise shipping industry, this body could be made responsible to the Minister of Transport either directly or through the Transport Commission. Similarly, if a Cotton Control Board were set up, it might be made responsible either directly to the Board of Trade, or to a Commission for the Textile Industries, which would itself be subject to the Board of Trade. Control boards of this subordinate type could be set up for different industries with widely varying powers and functions, but it should be a governing principle that each body of this type,

whether its functions were large or small, should in due course be made responsible, wherever possible, to a co-ordinating Commission acting directly as the agent of government policy for the group of industries concerned. Where for any reason this was not done, the board of control would be directly responsible to the appropriate Minister, and the Minister would have to answer for it in Parliament.

Only by thus linking up all industries, whether they were already socialized or still in private hands, under a limited number of co-ordinating ministries or commissions acting under Ministers directly responsible to the Government, can it be possible to advance towards an orderly general economic plan. The alternative of bringing all industries directly under a single co-ordinating authority would prove unworkable; for no one body could possess either the competence or the time required for effective supervision over so wide a field. On the other hand, the independent control of each industry or service by a separate body, without any co-ordinating control, would be a denial of the very basis of a planned economic system.

CHAPTER IX

PRICE CONTROL

ANY developed system of economic planning involves, as we have seen, the control of prices. For demand depends on prices, as well as on the distribution of incomes, and planning of production requires at the same time a planning of the prices at which the various goods and services are to be sold. It is, however, clear that, just as no complete control over the distribution of incomes will be possible at the stage of planning dealt with in this book, so the conditions will exclude any general control over prices. It will be possible to control, to the fullest extent to which it may seem desirable, the price policies of socialized industries and services; but prices in non-socialized industries will at most be brought only under partial control in the earlier stages of the development of the new system.

Where boards of control are established for non-socialized industries and services, their functions should always include the duty of investigation and reporting upon price spreads in these industries at the various stages of production and marketing, and, where necessary, the institution of actual price controls. In the earlier stages, the Government will probably rest content in most cases with detailed studies of capitalist price policies and publication of the results, and actual controls will be imposed only where serious abuses are found to exist. But it is also possible that the Government will decide at

an early stage to offer inducements to producers to supply certain standard types of necessary goods at controlled prices, based on ascertained manufacturing costs, in much the same way as was done during the Great War in the case of 'standard boots,' 'standard suits,' and a few other classes of goods. Where this was done, the boards of control would naturally come to be the bodies responsible for the administration of such schemes, of which the existing 'Milk in Schools' scheme may be regarded as a forerunner.

It is not suggested that there would be, in general, any divergence of state price-fixing policy from the principle of marginal costs. It is clearly desirable that, under Socialism as under any other economic system, the prices of goods and services should usually correspond as nearly as possible to the real cost of producing them, and that departures from this policy should be confined to cases in which, on social grounds, it is desired to encourage or discourage particular types of consumption. Accordingly, the main purpose of price control, as applied to non-socialized services, would be the prevention of monopolistic practices and the penalization of remediable waste and inefficiency. This, however, would not exclude the supply of particular products either generally or to particular classes of consumers at special prices, on grounds of social expediency (e.g. on the lines of the 'Milk in Schools' scheme).

CHAPTER X

MONETARY ORGANIZATION

EVIDENTLY, a planned economy involves a planned monetary system, and a planned control over the supply of means of payment. Socialism involves socialized banking, and the co-ordination of the policy of the socialized banks with other aspects of economic policy. But we cannot assume at the stage we are here considering that banking will be completely socialized. It can be taken for granted that a Socialist Government will speedily convert the Bank of England into a publicly owned corporation, acting under the direct instructions of the Government as the instrument of its general economic policy; and it is of primary importance that the persons responsible for managing the Central Bank shall be full-time public servants responsible to the Government, rather than representatives of particular interests or groups.

If the joint stock banks remain at the outset in private ownership, it will be necessary to ensure their responsiveness to the demands of the Government's economic plan. One way of doing this would be to rely on the authority of the socialized Bank of England to secure the co-operation of the other banks, without introducing any special measures of control. The Bank of England, by virtue of its position as the bankers' bank and its ability to influence credit conditions through bank rate and open market operations, has already considerable power

over the joint stock banks, in respect of the total quantity of credit at their command. It has, however, very little control over the uses which the banks make of this supply of credit. It has no power—though it could, if it chose, exert an influence—in deciding the directions in which credit shall be allowed to expand or be restricted. But some degree of control over the distribution of the available credit is clearly necessary for the successful working of an economic plan.

In my view, the right policy is immediate socialisation of the joint stock banks. If, however, this is deferred for a time, the Bank of England, when it is socialized, should be given legal powers of control over them, at any rate to the extent of regular inspection of their proceedings and the tendering of advice concerning their credit policy. It is not, of course, practicable, as long as the banks remain as private profit-making institutions, to order them to grant or withhold credits in the case of particular businesses. But, short of this, it would be fully possible to entrust the Bank of England with supervisory powers which would give it, in effect, a large influence over their policy.

The danger evidently is that the joint stock banks, disliking the Government and its policy, might be disposed to contract credit, even in face of an expansionist central banking policy, or to withhold it from borrowers whose operations were essential to the Government's economic plans. In the first of these respects, it might be difficult for the joint stock banks to hold out in the long run against pressure from the Bank of England; but they might

do serious damage by restricting credit even for a short time. It would therefore be desirable, even if it were decided not to take power immediately to transfer them to public ownership, to arm the socialized Bank of England or the Treasury with sufficient power to penalize severely any tendency on their part illegitimately to restrict the supply of credit.

But in addition it would be wise to give the socialized Bank of England wide enough powers to enable it, in face of any reluctance to lend, or undesirable discrimination in lending, on the part of the joint stock banks, to establish alternative credit agencies of its own to undertake any sort of banking business—e.g. for medium-term loans, or for financing the reconstruction or expansion of any particular industry. Alternatively, the Treasury could itself establish such agencies, on the lines already followed in the setting up of the Export Credits Department, which has been a highly successful venture in the financing of types of foreign trade, where the joint stock banks were reluctant to supply adequate accommodation.

Measures of this sort, operated in conjunction through the Treasury and the Bank of England, would probably suffice to deal with any immediate tendency on the part of the banks to provoke a financial crisis as soon as a Socialist Government began to put its general policy into effect. It would, however, probably be desirable before long to set up, under the auspices of the Treasury and the socialized Bank of England, some sort of co-ordinating Finance Commission, analogous to the Commissions

proposed for various groups of industries and services, and to give this Commission powers of control over all banks and financial institutions, whether privately or publicly owned. The regulation of the currency and of the conditions relating to the total supply of money and to the management of foreign exchange would doubtless remain in the hands of the Chancellor of the Exchequer with a reorganized Treasury under him; and the functions of the Finance Commission would thus be concerned, not with the total monetary supply or the rates of exchange, but with the policy of the other banks and financial institutions in granting or refusing credit to particular types of applicants, that is, the distribution of credit between different uses in accordance with the requirements of the plan.

It would clearly be essential that the credit policy of the banking system should fit in with the economic policy of the Government, as expressed through the National Investment Board and the ministries, commissions and boards responsible for the various groups of socialized or controlled industries and services. It would be the function of the Finance Commission, acting under government instructions, to secure this correspondence; and, when the existing banks were unable, or failed, to supply the requisite credits, the Commission would either have to ask the Bank of England to establish new agencies, or itself, in consultation with the Bank and the Treasury, to take over existing agencies and remodel them in accordance with the needs of the general economic plan.

The Finance Commission, if it were found

necessary to set it up, would require, like the other Commissions already discussed, a nucleus of full-time members working as public servants. It would have to act, in matters of policy, under the instructions of the Government; and the appropriate Minister, who would preside over it, would have full power to override it. Like the other Commissions, it should have a Chairman, as deputy for the Minister. Presumably the Chancellor of the Exchequer would preside over it, and its Chairman would be a second Financial Secretary to the Treasury, co-equal with the existing Financial Secretary, but specializing upon matters of currency and banking as distinct from budgetary questions. The Finance Commission would probably have, in addition to its full-time members, a majority of part-time members, including both experts in financial matters and back-bench members of Parliament. Its functions would have to include the supervision of financial agencies, such as foreign and colonial banks operating in London, as far as such agencies are concerned with industrial or commercial credit. In respect of the financial activities of the City, it is a matter for further consideration how the functions of supervision should be allocated as between the Finance Commission, when it is brought into being, the National Investment Board, the socialized Bank of England, and the Treasury.

CHAPTER XI

CABINET ORGANIZATION OF PLANNING

REPEATED references have been made during earlier sections of this book to 'the appropriate Minister' or 'the Minister in charge of economic policy.' This vague phrasing was used deliberately in these earlier sections, as it seemed best to leave the discussion of the changes needed to adapt the existing Cabinet system to the conditions of a partly planned economy until an idea had been given of the scope of the planning machinery which the Government would be called upon to co-ordinate and supervise.

I have rejected the notion that it is desirable to place this task of co-ordination in the hands of a single executive Planning Commission, apart from the Government itself. Such a solution would be in practice inconsistent with Cabinet control, or with effective responsibility to Parliament in matters of economic policy. The Government itself must take the clear responsibility for its economic plan as a whole, and must be ready to answer for it at any time in Parliament. This, however, leaves open a number of alternative possibilities. A suggestion that has often been made is that there should be constituted an Economic Committee of the Cabinet, to consist of the Ministers in charge of the principal departments dealing with economic affairs, and that this body should be put in control of the plan, subject

only to final decisions on matters of principle by the Cabinet as a whole, and also subject of course to the over-riding authority of Parliament. A second suggestion is that a Department of Economic Planning should be created, under the direct authority of the Prime Minister, who would leave most of the actual work in connection with it to a specially created Minister of Economic Planning. This Minister, it is suggested, would hold a status comparable in relation to the Prime Minister with that of the Financial Secretary to the Treasury in relation to the Chancellor of the Exchequer, or perhaps higher, to the extent to which a higher standing could be reconciled with his position of responsibility to the Prime Minister for the work of the department. It is, for example, often proposed that the Minister of Planning, even if he were under the Prime Minister, should be a member of the Cabinet. A third suggestion is that the central machinery of planning should be developed inside the Treasury, under the control of the Chancellor of the Exchequer; and yet a fourth is that planning activities should be grouped as far as possible under the Board of Trade. Finally, there is the suggestion that an entirely new Department of Economic Planning should be created, under an independent Cabinet Minister of its own, and not specially under the Prime Minister's direction.

All these proposals present considerable difficulties; and it is not easy to decide what is best. In view of the fact that the activities of economic planning are bound to impinge upon the existing functions of every State department dealing with economic

affairs, there are obviously very great difficulties in the way of setting up a new department of the ordinary sort. It would be impossible and undesirable to transfer all the economic work of the Government to a single department; and in any case the result would be a deplorable topheaviness and congestion of functions. On the other hand, if the new department were not to take over, but merely to be given the task of co-ordinating, the planning activities of a variety of existing departments, there would be obvious dangers of clashing of duties and responsibilities between the new and older departments, as well as of conflicts of policy and jurisdiction between the Minister of Planning and the Ministers at the head of other departments concerned with economic affairs.

We can, on these grounds, reasonably exclude the solution of setting up an independent co-ordinating Ministry of Economic Planning, with a Cabinet Minister other than the Prime Minister at its head. This solution simply could not be made to work without continual friction.

The same difficulties would arise if it were attempted to place the co-ordinating control of all economic planning activities in the hands of the President of the Board of Trade. He could not, for example, over-ride the Minister of Agriculture in relation to the agricultural part of the plan, or the Minister of Labour in relation to wages and conditions, or the Minister of Health in relation to public works executed by local authorities, or finally the Chancellor of the Exchequer and the Treasury in dealing with matters of finance.

On the face of the matter, there is a stronger case for placing the control of planning in the hands of the Chancellor of the Exchequer, with the Treasury as his instrument. Planning will obviously turn very greatly on finance, and the Treasury will in any case have to be consulted in connection with every major development. This, however, appears on further consideration to be a strong reason against making the Treasury the department responsible for planning. The function of the Treasury is to find the money required for the Government's policies, and this enforces upon it a severely critical attitude towards the projects advanced by the various spending departments. It would be a fatal mistake to place upon the Treasury duties which would convert it into a great spending department, responsible for a wide range of constructive services. It cannot at the same time be a great spending department and satisfactorily fulfil its functions of holding the balance between spending departments, as the watchdog of budgetary security and financial stability.

Moreover, the concentration of planning activities in the hands of the Treasury would place upon the Chancellor of the Exchequer a quite intolerable double burden. He has fully enough to do in providing for the raising of tax revenue, keeping a critical eye on the claims of the spending departments, and managing and safeguarding the currency and the exchanges in conjunction with the Bank of England, and through the Exchange Equalisation Fund. If, in addition, he acquires special responsibilities in relation to the joint stock banks and the

financing of industry, his hands will be quite full enough to make it impossible to thrust further duties upon his department. The solution of making the Chancellor of the Exchequer responsible for the co-ordination of economic planning, attractive as it is at first sight, must be ruled out as unworkable.

The proposal to constitute an Economic Committee of the Cabinet and to make this committee the responsible authority for economic planning has also many attractions. It will almost certainly be desirable and necessary to create such a committee, or alternatively to assign certain sessions of the Cabinet entirely to economic business. But a committee of Ministers, however necessary it may be, is by no means all that is required. The co-ordination of planning activities demands, not merely a number of persons of sufficient standing to be able to take decisions upon matters of high policy, but an administrative machine to help them—a body of civil servants thoroughly served with information, and in close daily touch with all the sectional bodies concerned with the day-to-day execution of different parts of the plan. A committee of Ministers, each of whom would have in addition his own department to control, could not possibly take effective charge of a co-ordinating department as well. There must be a Minister of some sort at the head of such a department, and this Minister must not at the same time be burdened with responsibility for the running of another department.

This brings us to the proposal that the central machinery of planning should be developed directly

under the authority of the Prime Minister, in a Prime Minister's Department analogous to that which grew up round the War Cabinet Secretariat between 1914 and 1918. But clearly the Prime Minister would not be able to give, over and above his other functions, more than the most general supervision to such a department. The advantage of placing the Department of Planning directly under the Prime Minister is that he alone could have sufficient authority to settle departmental confusions and conflicts of jurisdiction, and to secure that other departments should work in effectively with the new department.

But clearly this proposal involves the creation, in close relation to the Prime Minister, of a Minister of Planning, subordinate to the Prime Minister, but otherwise ranking on an equality with other departmental Ministers. It would be indispensable, in view of the nature of his duties, that the Minister of Planning, despite his subordination to the Prime Minister, should be a member of the Cabinet—and, of course, of the Cabinet Economic Committee, if such a body were set up. His position would thus be in many respects analogous, though not wholly so, to that of the recently created Minister for the Co-ordination of Defence Services, and he would be related to the Economic Committee of the Cabinet in some degree as the Defence Co-ordination Minister is presumably related to the Committee for Imperial Defence.

The duties of the Department of Planning should, however, be made and kept, as far as possible, supervisory and co-ordinative rather than directly

administrative. The new department should neither take over the administrative economic functions of existing departments, nor usually assume directly administrative functions in relation to the new economic activities of Government agencies developed as instruments of the plan. There is, accordingly, nothing inconsistent between the proposal to create a Department of Planning and the proposal to group as many as possible (but not, of course, all) of the new planning boards and Commissions under the Board of Trade, which would thus become, for example, the department administratively responsible for all forms of industrial and commercial planning, except the regulation of agriculture, transport and power, and labour conditions, and the supervision of the planning work of the local authorities. The President of the Board of Trade would thus become the *ex officio* President of any Commissions proposed for the supervision of groups and industries and services, except the Agricultural and Transport and Power Commissions, which would be presided over by the President of the Board of Agriculture and the Minister of Transport. Moreover, the chairmen of such Commissions would rank as Parliamentary Secretaries of the departments to which their respective bodies were assigned.

This allocation of duties would leave the Minister of Planning free to concern himself with looking ahead, rather than with current administration. To his department would fall the control of the proposed new co-ordinating statistical office, to be developed out of the Economic Advisory Council, and of any machinery established for the purpose of preparing

regular reports upon the working of the economic system and on the economic outlook—with a view, for example, to the advance planning of public works policy and of large projects of economic development. Out of this machinery should naturally grow in due course the organization requisite for the formulation of general economic plans of a more developed and inclusive type than the Government could hope to introduce at the relatively early stage which alone is under consideration in this book.

While, however, this solution—the setting up of a Department of Economic Planning under the direct authority of the Prime Minister, with the assistance of a Minister of Planning with a seat in the Cabinet—seems to me on the whole to be open to less objection than the various alternatives which have been considered in this section, I am very conscious that it does present difficulties, and that many persons will be disposed to prefer one of the other possible courses. Indeed, when the preliminary draft of this book was discussed by a committee of the New Fabian Research Bureau, there appeared to be almost as many different preferences as there were members—not that each member held firmly to a dogmatic view, but rather that each of them saw the difficulties, and did not find it easy to decide which course to prefer. I am, of course, solely responsible for the opinions expressed in this final draft, which in no way commits the N.F.R.B.; but I confess that I have hovered long between the various alternatives before settling which to put forward, and that I do not exclude, even now, the possibility of being induced to change

my mind. I think the proposal here advanced is the best; but if the Government in fact decided to adopt another, that would not upset the rest of the recommendations which this book makes, and would but slightly affect their form.

CHAPTER XII

RELATIONS BETWEEN ECONOMIC AND SOCIAL PLANNING

IN view of the width of the issues involved, I am not attempting in this book to consider the machinery of planning except in its distinctively economic aspects. I have not, therefore, attempted to study how the activities of the predominantly 'social' Ministries—Health and Education—would fit in with the work of economic planning as I have outlined it. The question is, however, obviously of the first importance, in view of the key position occupied by public works in periods of general economic depression, and of the close connection of the 'social' Ministries with the work of the constructional industries in particular. Clearly the Minister of Health will have to be a member of the Economic Committee of the Cabinet, when such a body is set up, and there will have to be almost as close a connection between the Department of Planning and the Ministry of Health as between the former and the predominantly economic Ministries.

Moreover, as the planned distribution of incomes must form an integral part of any coherent economic plan, the 'social' Ministries are directly involved in a second respect. The planning of wage incomes cannot possibly be divorced from the planning of the social services dealing with unemployment, pensions and health. If any system of family allowances were introduced, there would be inevitable repercussions upon the wage system, requiring careful co-ordination

between wage policy in industry and the policies of the departments concerned with the social services. Education, again, is obviously very relevant to economic planning, not only in respect of school building and in its technical aspects, but also as affecting the supply and quality of juvenile labour. I have spoken in the previous section of a Ministry and a Minister of Economic Planning, because economic planning alone is the subject of the present study. But it seems clear that, in practice, the competence of the proposed Ministry would have to extend to social as well as to economic planning.

A further limitation upon the scope of the present book is that it deals entirely with central planning, and does not cover at all the question of regional machinery or of regional devolution. It is, however, evident that these matters are of the first importance. To take only the most obvious example, it is plain that the problem of the depressed areas will have to be handled largely on regional lines. The position of these areas will, of course, be greatly affected by measures adopted nationally for the socialization or reorganization of the basic industries upon which they principally depend. But it is clear that their restoration to economic prosperity depends also upon the development of new industries to replace those which have undergone contraction, and are unlikely ever again to employ the same numbers of workers as they did.

Up to the present, what has been done for the economic restoration of the depressed areas has been placed partly in the hands of the Commissioner for the Special Areas (and of the separate Commissioner

for Scotland), and partly under the auspices of *ad hoc* agencies created for the purpose, such as the Special Areas Reconstruction Finance Company. It is common knowledge that the powers of the Commissioner are still much too restricted for him to be able even to attempt more than a very little towards setting the depressed areas back on their feet, and that the Finance Company has also done very little in relation to the extent of the need. It will obviously be necessary for an incoming Socialist Government to take action on an altogether different scale.

To some extent, the handling of this problem will be a matter for the National Investment Board, to which some control over the localization of the new industries financed by current investment should be assigned. But there will remain the need for regional authorities possessing wide enough powers to enable them to undertake, or to facilitate, on a much larger scale than is possible to-day, the establishment of new industries and enterprises in the depressed areas.

In this connection, one possibility would be that the new Ministry of Planning should take over the parliamentary responsibility for the functions assigned to the Commissioner for the Special Areas, and that the Commissioner should be given, under the direction of the Minister of Planning, greatly enlarged powers and a greater degree of freedom from detailed Treasury control. It seems clear that, in addition, official regional development authorities should be set up in the depressed areas (including Lancashire), and that these regional authorities should also come under the direct supervision of the

Minister of Planning. This would give the local bodies in the depressed areas a far stronger pull with the Government, and a far greater authority in dealing with the various departments than the existing Commissioners can possibly possess as long as they have no Minister or department to represent their claims. At the same time, the authority of the Commissioners and of the Ministry should be widened to cover depressed industries and smaller centres throughout the country, even if they are found in comparatively prosperous regions.

In addition, it seems desirable that in every area, depressed or not, the Ministry of Planning should proceed before long to establish a regional office, which would be concerned at the outset chiefly with the work of survey and inspection, including the regular preparation of regional surveys designed to keep the central planning authorities informed about the requirements and opportunities for economic development within each region. These regional offices could, with advantage, be conducted in close conjunction with regional planning advisory councils, constituted on a representative basis for each area. At the outset, this regional machinery would probably have no executive authority; but it seems clear that, as the economic plan developed, in order to avoid congestion at the centre an increasing amount of regional devolution would be needed, both in particular industries and services, and in the general working of the plan. It seems both unnecessary and undesirable to attempt to work out at this stage the precise forms which this regional devolution might take. It is, however, clearly the

right policy to create at an early stage a nucleus of a regional planning organization to which additional functions could be from time to time assigned in the light of growing experience and the developing needs of the plan.

CHAPTER XIII

THE CIVIL SERVICE

THE development of a general economic plan, even if it is introduced by stages, will make demands on administrative and technical personnel which the existing Civil Service, however high its standards of efficiency, manifestly cannot be in a position to supply. Moreover, the work of actual management and control of industries over a growing field will necessarily call for qualities and expert knowledge somewhat different from those which most civil servants have in the past been called upon to display. Obviously any rapid growth of socialization or State economic control involves a considerable amount of recruitment from outside the ranks of the Civil Service, and by methods different from those by which the Civil Service is ordinarily entered. This new personnel will have, to a great extent, to be taken over from capitalist industries, and will therefore consist of persons who have been accustomed to the conditions of profit-making enterprise.

It is of the first importance that these new entrants should acquire the professional outlook and the disinterestedness which are the chief merits of the Civil Service, without becoming 'bureaucratic' in any evil sense. It is vital that they should, on becoming employees of any socialized service or public agency of control, receive the privileged status and responsibility of civil servants, including pension rights and rights of collective representation through

the civil service negotiating machinery. The existing arrangement, under which employees of public corporations are not treated as members of the public service, is open to grave objection both in principle and because it presents an obstacle to easy transference from one branch of public administration to another. Such transference will be of special importance in the early stages of the growth of a planned economic system; for it will be indispensable to be able to move able men freely from one key position to another.

For these reasons, the entire recruitment for the public service, in the widest sense, should be brought as soon as possible under the auspices of the Civil Service Commission. This, however, will involve a drastic remodelling of this body, which is obviously in its existing form unsuitable for the wider task. It will, of course, be impossible to recruit by the customary system of competitive examination all the new entrants to public employment who are to take charge of the new socialized services and organs of public control. This does not mean that there must be no standard for entry, but only that the standards must be made appropriate to the new needs.

It will be necessary, in remodelling the Civil Service, to provide not only for easier transference from one government agency or department to another, but also for easier promotion from lower to higher grades, in order that the fullest use may be made of able men and women who are at present unduly cooped up in the lower ranks of the service. At the same time, it may be necessary for the

incoming Socialist Government to be somewhat ruthless in pensioning senior civil servants who are unable to adapt themselves to the new needs of a planned economic order. This does not mean that they should be replaced by 'outsiders.' As far as the existing departments are concerned, there are plenty of younger civil servants who are fully capable of responding to the new needs, provided only that there is adequate mobility both between departments and between grade and grade, and that considerations of snobbishness or social prestige are not allowed to stand in the way of the selection of the most competent administrators.

CHAPTER XIV

CONCLUSION

IT is sometimes suggested that Socialists, and especially those who favour the speedy introduction of a planned economy, are altogether too ready to suggest the establishment of new administrative bodies, and that their projects would involve an immense increase in the size and complexity of the 'bureaucratic machine.' It is of course evident that the bringing of the economic organization of society under any sort of co-ordinated public control, instead of leaving it to the unfettered authority of private business men, must involve an increase in the number of persons working as public servants, and in the number of public, as distinct from private, economic bodies. It is also evident that the problem of staffing these new public bodies will, at the outset, involve certain difficulties; for it is nearly always easier to find competent administrators to take on a job the duties and requirements of which are already well defined than to find men capable of initiating new ventures and shaping their development aright. But it is by no means true that economic planning involves an increase in the total number of persons occupying important directive positions, or in the total amount of machinery needed. Indeed, the very opposite is the case. It will take fewer administrators and less machinery to run a series of co-ordinated and publicly controlled services than are needed for running the planless machine of 'private

enterprise.' The truth is, not that there will be more administrators and more machinery, but that there will be more public servants and fewer employers and directors of capitalistic businesses—more public bodies and fewer separate profit-making concerns—more public corporations and fewer capitalist combines organized for the exploitation of the consumers.

Nevertheless, it is essential for a Socialist Government, especially at the beginning of its work, to be careful to conserve for really vital duties the skilled and imaginative man-power at its disposal, and therefore to avoid creating new agencies wherever existing bodies can be so adapted as to serve its purpose. Throughout this study the importance of the conservation of directive energy has been kept continually in mind.

Let us see, then, to what extent it has seemed indispensable to propose the establishment of new pieces of administrative machinery in order that the new system may be got effectively to work.

To begin at the top, I have proposed the appointment of one additional Cabinet Minister—the Minister of National Planning. The remaining additions to the ranks of the Ministry are all Under-Secretaries—on the analogy of the Secretary for Mines and the subordinate Minister at the head of the Department of Overseas Trade. Such additions to the ranks of the junior ministers are obviously requisite as the sphere of public enterprise expands, if the reality of parliamentary control over the affairs of government is to be maintained. Nor does it present any difficulty. The House of Commons is

fully able to supply men and women as well able to undertake the new duties as those who have held office as junior ministers in previous Governments.

To this new Ministry of Economic Planning I have proposed the attachment of a Central Statistical Office, designed not to replace but to co-ordinate and supplement the statistical work done by other departments. In the Ministry and its statistical department I have suggested the merging of the present staff and machinery of the Economic Advisory Council.

The proposal to constitute an Economic Committee of the Cabinet involves no additional personnel. It is a method of saving the Cabinet's time, while maintaining the essential principle of Cabinet control over matters of high policy, and establishing close contact between the Ministers at the head of the various departments mainly concerned with economic affairs.

The only other new bodies proposed, apart from the controlling and supervising boards and Commissions for socialized or socially controlled industries and services, are the National Investment Board and the Minimum Wage Commission. A Finance Commission is, indeed, also suggested, but with the proviso that its establishment might not be necessary until a later stage.

Apart from these pieces of public machinery, the proposals made involve not the creation of new bodies but the development of bodies which already exist. Thus, many new functions are proposed for the Bank of England on its socialization; and a large transformation is contemplated in the powers and

organization of the Board of Trade. In addition, the proposals envisage a considerable enlargement of the duties and personnel of the Industrial Court, the Industrial Fatigue Research Board, the office of the Census of Production, and various other well-established public agencies.

It is ridiculous to suggest that proposals of this order involve either an impossible demand on the available supply of directive ability or an uncalled-for extension of 'bureaucracy.' They are designed both to economize man-power, and to fit in with the minimum of disturbance to the existing system of public administration. Of course, they will not appeal to those who regard a civil servant as *ex hypothesi* a 'public enemy,' or to those who are opposed to all forms of planning as unbearable interferences with the liberty of 'private enterprise.' But I am not writing for persons who hold either of these views, but for those who, favouring economic planning with a socialist objective, desire to see in advance, as clearly as they can, the implications of a socialist policy in terms of the changes in the machinery of government which it would involve.

The real difficulties lie, not in the necessity for multiplying administrative functions further than competent persons can be found to take charge of them, but in deciding between alternative possibilities of organization. In making this choice—the difficulties of which I freely admit—I have been guided throughout by two main considerations, or rather by the necessity of reconciling two possibly divergent aims. It is indispensable at the same time to make the new machinery fit on easily to that which

already exists—for this must be done if quick results are to be secured, and dislocation avoided—and to establish it in such forms as will serve as foundations for subsequent, and more far-reaching, measures of socialist construction. How far these two aims have been successfully reconciled I must leave my readers to judge for themselves. I do not pretend to believe that I have arrived at the best solution in every case; but I hope at any rate that this book may serve to clarify, rather than becloud, further discussion.

May, 1938