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PLANNING IN PRACTICE

A SERIES OF six or more articles by the Financial Editor of the *Manchester Guardian*, appearing in that paper between 1st and 13th August, has some illuminating criticisms of the measures of planning of industry for war purposes in this country. They provide an excellent commentary on Lippman's *Good Society*, so copiously reviewed in July and August *Land & Liberty*. It is doubtful, however, if the Financial Editor has read Lippman for his sympathies seem to be with centralized, official planning as against planning by corporate industries, whereas Lippman has shown that planning in general is a device for interfering with the advantages of division of labour ensured by a free market economy.

The article on 1st August in the above series shows that in the U.S.A. the stimulus of British war orders is bringing about a striking change in the economic structure of that country ; "munitions output on the scale now planned will place a severe strain on the industrial resources of the country." Domestic consumers have been stocking steel in fear of supply difficulties when the defence programme gets under way. A chief difficulty in the placing of Government orders has been the insistence of manufacturers on reasonable security from the risks of losses. Congress has recently reduced the rate of profit on Government contracts for aircraft from 12 to 8 per cent and on naval orders from 10 to 7 per cent. These margins of profit are said to be too small to cover usual risks.

Yet we gather that the arms programme has been carefully planned by the capable staff of planners set up by President Roosevelt. They appear to have succeeded so far as training skilled workers is concerned, but they utter a warning of inflationary dangers if methods of financing re-armament now proposed "are continued after the economic system has attained full operation." With all the plans, there and here, no "plan" is adumbrated for freeing the market and raising funds through taxation of monopoly profits in land.

On 3rd August the article turned to national planning in this country. "The system," says the Financial Editor, "that has grown up in this country since the introduction of tariffs and the abandonment of the gold standard is one of self-government by industries, encouraged by the Government and confirmed in many cases by Acts of Parliament." The control of raw materials is carried out on behalf of the Ministry of Supply by representatives of each industry ; cotton being a striking exception. The combines and cartels by which British industry was almost wholly covered at the outbreak of war are a legacy of the great crisis of distribution that arose at the end of the twenties. Henry George could have told this writer that combines and such monopolies are inevitable under protection by tariffs.

We read further that "the purpose of co-operation (in cartels, etc.) was not to produce more goods, nor to produce them more efficiently and more cheaply, but to maintain prices by eliminating free competition." This also could have been foreseen by students of George or of Lippman.

More striking still, however, is the dictum of the writer in the *Manchester Guardian*, that as a result of this system (of the elimination of competition) "the new structure of British industry has proved to be ill-adapted to a rapid increase of production." There is a "fundamental paradox in appeals for greater speed." The extra output obtained by mere acceleration is strictly limited. This is because individual employers and citizens are asked to make decisions that can only be made by a central authority. Reorganization that involves loss, restrictions or extensions, or unreasonable commercial risk, cannot be undertaken by any conscientious business man who is the executive of his shareholders. "The transfer of millions of men and women from one industry to another, the closing of factories and the opening or enlargement of others, can only be carried through by the Government according to a national plan."

From this it follows that the cure for control by combine is to substitute control by government department. It is the central authority that has the comprehensive knowledge of the facts and freedom from private and sectional responsibilities. But that is just the question that has to be proved and is so far simply begged. No government authority has yet seen that any plan must take into account the varying economic advantages of many thousands of alternative sites, and that the economic values of land can only be ascertained in a land market made free by a system of taxation of land values.

"Only in the matter of training and distributing labour has the Government so far applied the first principles of planning." Yes, just as in U.S.A., planned interference can be applied to the lives of plain men and women, but not even sacred planning must touch the even more sacred ark of land monopoly.

An instance of what planning means in practice was reported in the *Manchester Guardian* of 3rd August regarding the injunction granted by Mr Justice Bennett to E. H. Jones (Machine Tools) Ltd., restraining two officials of the Ministry of Supply from interfering with the control of the business and its banking account, and ordering the defendants to withdraw instructions given by them to the bank to dishonour cheques drawn by the company. Counsel for the plaintiff argued that to put complete strangers in control of the company's affairs was calculated to prejudice, if not destroy, the efficiency, organization and credit of the company and of the plaintiff's good name. In reply to the Judge, the Attorney-General said the person in control could pledge the credit of a partnership business without liability, under the regulation of the Emergency Powers Defence Act. The Judge held the regulation invalid and a new regulation has since been made. Such is the planning system in practice, and we repeat, no plan to secure the full and free access to natural resources which is essential to the life of the nation.

Further articles on the finance pages of the *M.G.* appeared on 6th, 7th and 12th August, and on 13th August the Financial Editor faced some more of the inherent problems of planning. Who is the Government, he asks, in the matter of, say, the railways, the coal-mining industry, or the iron and steel trade ? It is in effect a self-governing body of the particular industry, staffed in most cases by representatives of its most powerful firms and endowed with controlling powers by the Minister of Supply. We should call this merely a cartel with a government label. It may well be asked : "Where is the body that can apply to the controllers' decisions a non-commercial decision ?"

Take the price charged by the steel makers for steel shell, says the above article. It is a secret, though not a well-guarded one. The firms concerned are allowed a moderate margin of profit on their costs—but who checks their costs ?—the Iron and Steel Controller, until recently a prominent and respected leader of the steel industry itself. As such he would be more than human, the article proceeds, if he did not pass unquestioned calculations regarded as perfectly correct in peace-time business, such as the deduction of "discard," as a loss on production, though in fact the discarded steel is sold at a small profit.

On questions of maximum production we are said to have reached an impasse probably necessitating compulsory pooling of resources. The pool planners would have to be composed of industrialists whose life-long conception of the duties of industry may well be outraged at the idea of destroying the foundations of competitive enterprise. These ample extracts from a well-informed observer should suffice to confirm the principles of *Progress and Poverty*, that in all human concerns liberty is better than control; and that planned control is only needed for the limitation and ending of monopoly in all its forms.

Unfortunately on 16th August a further article in the series hails what it regards a solution of the problems of planning arrived by the Select Committee on National Expenditure. The allocation according to priority of available supplies between "the conflicting State departments" is the new problem. The finding of additional output capacity from factories now idle seems to be no one's business, we read. There are many firms for whose products several departments may be in direct competition, and co-ordination depends on the degree of pressure which each department may exercise. The Committee's report is quoted: "A complete priority system should regulate the whole process from the originating demand to the supply of the finished product, in such a way that the entire national resources would be organized to secure . . . maximum output . . . and a priority grading relative . . . to the war effort."

This whole detailed study shows that whilst every article tells how easy it is to regulate human labour, speaking of "the dangerous movement of skilled men from factory to factory," on the other hand the "organization of the entire national resources" has no reference to the power of land monopoly to keep valuable sites out of use. There is to be no interference, no regulation, no plan to control the private ownership of the basic source of all raw materials. It is to be a war fought "in the air" in more senses than one.

Military experts tell us the final decision will be made on the land; we may be sure that our financial and economic experts will reach no decisive solution until they realize and tackle the fundamental land problem now ignored by them.

D. J. J. O.

MONOPOLY, COMPETITION AND FREEDOM

THE WORD "competition" has gradually acquired obnoxious implications. The impression has been heightened by the fact that prejudicial adjectives, such as "unfair," "cutthroat" and others, are frequently tacked on to it.

Leaving aside the adjectives for the moment, what does competition in economic affairs mean? Competition exists when there is more than one person (or firm) which offers to supply a commodity or render a service. The commodity (or service) must obviously be one which is scarce and for which some people are willing to pay. If no one wanted the commodity, and consequently no one was willing to pay anything for it, evidently there would not be anyone who would offer to supply it. If the commodity existed in superabundance so that every one could have as much as he pleased, it could also have no value and no one would offer to supply it.

The concept of competition applies, therefore, to scarce commodities, and it exists when there are several independent persons offering to supply such a commodity. The persons must be independent; if they are bound together by some arrangement which obliges them to act in concert, they become virtually one supplier and there is no competition. It is not essential, however, that there should be more than one consumer of any particular article in order that competition should exist.

Competition implies freedom of choice on the part of the consumer. There are a number of alternative sources from which he can obtain the commodity he requires. The absence of competition means that the consumer has no freedom of choice.

In a free market the competition of producers operates to reduce price to a lower limit determined by cost of production. In a monopolized market this is not so. The monopolist fixes the price (or the quantity sold, which comes to the same thing) so as to assure himself of the maximum net profit. This inevitably means that the quantity sold is less and the price charged is more than would prevail under competition.

Frequently it is said that, while these arguments are true, they mean only that competition is beneficial to consumers, and it is suggested that competition is detrimental to producers. In this it is to be observed that everyone is a consumer, and a policy which benefits consumers must benefit everyone. The suppression of competition does not benefit producers generally, but only those who remain as monopolists. The others, who are squeezed out, would be left to starve if the policy of monopoly could be applied to every industry and occupation. In practice monopoly is not carried so far as that. There remains a residue of occupations which people are free to enter. Competition in these is much accentuated, and earnings in them are less than in the monopolized occupations. The lower level of earnings in such non-monopolized trades as compared with the monopolized ones appears then to be the result of competition, whereas the real cause is monopoly or lack of competition in other trades.

A particular case of the argument last examined is the contention that competition reduces wages. This is frequently put in the form that high prices mean high wages, and many people accept this as axiomatic. The truth is the exact opposite. Consider for example some commodity which is produced under a monopoly, for example by a patented process. The manufacturer adjusts his price so as to get the maximum price and restricts production accordingly, as we have already seen. Suppose that after a time the monopoly ceases, for example by the expiry of the patent. Other persons are attracted to this branch of production by the higher profits gained in it; production is increased; the price of the commodity decreases until finally profits fall to a normal level. The increased sales at the lower prices cause a greater demand for labour in that industry, and the tendency will be for wages to rise rather than to fall, while workers generally will benefit by the reduction in prices.

To put the matter in another way: monopoly means less production; it must therefore injure the community as a whole; if some particular individuals gain by it then the remainder must suffer all the greater injury. It is impossible to think of any argument by which it could be demonstrated that in such circumstances it is the workers who would gain by monopoly and the landlords and capitalists who would lose. Yet this is precisely the proposition which the workers are asked to accept when they are invited to vote for protective tariffs, quotas, and other schemes for restricting production.

It is no doubt conceivable that some trade union could be formed sufficiently close and powerful to wrest a share of the profits of a monopolized industry from the employers. The profit would then be divided between a larger number of persons, but as between them and the community generally the position would be no whit improved. Politically the