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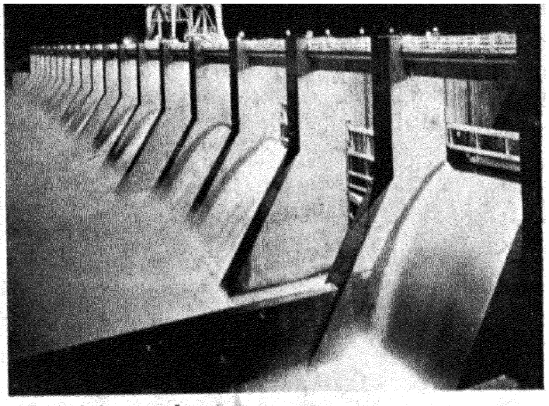

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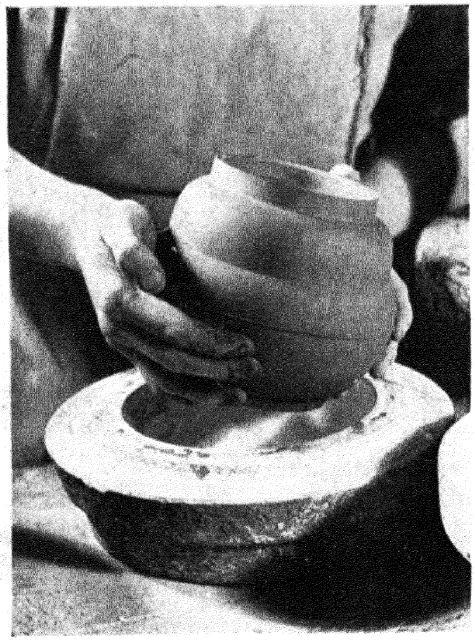

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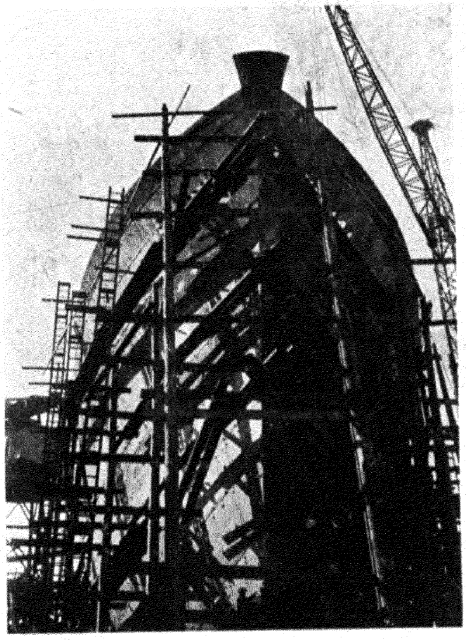

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INDUSTRY AFTER THE WAR

Who is going to run it?

BY

Charles Madge

IN CONSULTATION WITH DONALD TYERMAN

Deputy Editor of The Economist

FOREWORD BY

SIR WILLIAM BEVERIDGE

1943

THE PILOT PRESS LTD

45 GREAT RUSSELL STREET, LONDON, W.C.1

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PRINTED IN ENGLAND AT THE CURWEN PRESS, PLAISTOW, E 13

INDUSTRY AFTER THE WAR

Who is going to run it?

FOREWORD BY

Sir William Beveridge

BRITAIN is an industrial country – a fact which affects every one of its 44 million inhabitants. We would never be so populous or rich a country without this. Industry as we have it, using machines of all kinds, enabling us to make different kinds of products and exchange them for one another, has been the means of raising enormously the standard of life of the community. It means that we produce and enjoy innumerable things which were never produced before Britain became industrialized about 150 years ago. Our houses and our furniture, our means of transport, our food and clothes and all the apparatus by which we make and distribute these things are more abundant and more various than they were. Industry with specialization and exchange has been the means of raising the standard of life. That is its purpose. The problem of control of industry is the problem of how to ensure that it serves this purpose to the full.

In order that industry shall serve its purpose of raising the general standard of living as much as possible, three main conditions must be satisfied. It must be conducted efficiently; it must be conducted continuously without waste of labour and other resources in unemployment; its products must be made available to consumers without exploitation, at the lowest price that will cover the proper cost of production. Control of industry means deciding what shall be produced, where and how it shall be produced, how and at what price the product shall be made available to those who want it. The problem of control of industry is the problem of how these decisions shall be taken, and by whom, in order to ensure that industry is as free as is humanly possible from unemployment, inefficiency and exploitation.

The time when industry began to develop on a large scale in Britain was also the time when a new theory developed as to how it should be controlled. This is the theory which advocates private enterprise at private risk, controlled by free competition and the price mechanism, as the system for getting the best results from industry. Under this system the individual owner of each business decides what he will produce and how and at what price he will try to sell it. But he cannot sell unless consumers will buy. They will not buy more than they want or at a price more than they are willing to give or at a price higher than that which they would have to pay to a competing producer. On this system the individual industrialist decides what is to be produced by discovering the wishes of consumers. He plays the tune, but the consumers call it. Moreover, consumers, by their freedom of buying where they will, exert standing pressure on producers to

discover the most efficient ways of producing; efficient production means cheap production, i.e. the possibility of lowering the price in competition with other producers.

This system of private enterprise at private risk under competition is sometimes described as an anarchy of production. But it isn't. It is a system based on a theory as to how industry can best secure the common good. This system has never been applied without exceptions in Britain, or anywhere else, but it has applied very largely. Broadly, industry in Britain has grown under a system of private enterprise at private risk, controlled by competition and the price mechanism. Under that system the standard of living of the community has risen greatly. But the system has had weaknesses also. As it developed, it has shown several tendencies which have given rise to a growing volume of criticism.

The first of these is a tendency to irregularity of production, leading to unemployment, substantial before the last war and much increased between the two wars.

The second of these is a tendency towards limitation or suppression of competition by agreements between individual producers. This second tendency has been stimulated or defended as a means of combating the former tendency and of securing greater regularity of employment. It has been attacked as opening the door both to inefficiency and to exploitation.

There are, of course, other criticisms of the past methods of control of industry, too long to set out here, but illustrated by Mr. Madge's paper.

In relation to industry, the target for tomorrow is to find that method of control which will secure that the labour and other industrial resources of Britain are used as fully and as efficiently as possible in meeting needs and raising the general standard of living. Nearly everyone would agree on that as the target. Most people probably would agree also that we have not of late been hitting the target—certainly not in the middle of the bull's-eye: that in respect of each of the three conditions—of freedom from unemployment, inefficiency and exploitation—there is room for improvement in our present control of industry, if we can find the right line of improvement.

That is the problem. It is a problem calling for informed, serious, general discussion. The primary object of the paper by Mr. Charles Madge is to promote and assist informed discussion of the different methods that have been advocated by different authorities. Naturally and rightly, while setting out alternative methods as fully as he can in the space available, Mr. Madge inclines himself to a particular solution. He favours a combination of public and of private enterprise, both under some sort of central control. As I am about myself to make as full an investigation as I can of the technical problem, I am not here suggesting any solution of my own. I suggest instead some of the questions which have to be answered by those who propose one solution or another. For this purpose I have grouped the different methods of control that may be proposed under four main heads.

A. *Private enterprise at private risk, with free competition controlled by price mechanism:*

This method, substantially, though never completely adopted in the development of industry, has a great achievement of raised standards of life to its credit; under it inventions have multiplied

and fresh wants have been discovered and satisfied. It involved some unemployment, but if unemployment could be kept down to the amount experienced before the first World War, it would be arguable that that amount of unemployment could be provided for adequately by insurance. Those who advocate a return as far as possible to this system may be asked:

1. How can they ensure keeping unemployment down to the levels before the first World War or below them, in the probable conditions after this war ?

2. How can they ensure freedom of competition in face of the growing tendency to its abolition or limitation by agreement between producers or by the formation of monopolies ?

3. How can they ensure that co-operation of the employees which is necessary for maximum efficiency, without giving them a larger share in the management of industry and greater confidence that its proceeds are fairly distributed ?

4. Can they ensure that the ultimate control of industry does not pass into the hands of financiers concerned to make profits by buying and selling shares rather than of industrialists trying to render the greatest possible service to consumers ?

B. *Control by the State, based on a national plan for using resources to meet needs:*

This method is substantially, though not of course completely, adopted in total war. The needs of war make resources generally inadequate and priorities have to be determined not by prices but by military necessities. The State, not the consumer, calls the tune. Something like this method has been adopted by the Soviet Union in peace, in the course of bringing about an industrial revolution. It has been adopted by Nazi Germany in preparing for war. Those who advocate it, or anything like it, for Britain in peace may be asked:

1. Whether and how can it be reconciled with democratic institutions and liberties ?

2. Who is to make and approve the national plan ?

3. How can the evils of over-centralization, delay and excessive caution which most people attribute to State officials today be avoided ?

4. How can the efficiency of enterprises or modes of production not dependent on profit be tested ?

5. How can change, invention, initiative be ensured ?

C. *Private enterprise at private risk, with competition restricted by use of compulsory powers of self-government in industry:*

This method, substantially that advocated by many of the larger industrialists today, is based on recognition of the tendency to restriction of competition by agreement and on belief that this tendency is on the whole beneficial and that unlimited competition by many small independent enterprises leads to instability and waste. They argue that planning of the product of each industry as a whole can lead to greater stability and efficiency, provided that the plans are made

by each industry for itself and not by bureaucrats in Whitehall. Those who advocate this method may be asked:

1. How can they ensure protecting the consumer against exploitation, without giving to some State authority powers of interference which may cause inevitable delay in business decision?

2. How can they keep the door open for new inventions and methods threatening the invested capital of the existing enterprises? Can they prevent these enterprises, if armed with compulsory powers, from using these powers restrictively?

3. How can they guarantee maintenance of employment so long as the necessity of making profits determines the scope of industrial activity? Can one business serve two masters employment and profit?

4. Can they safeguard industry against harmful control by financiers? (*See* Question A 4.)

D. *Public enterprise in some industries and private enterprise in other industries:*

This method appears to be contemplated by the Prime Minister in his broadcast speech of 21 March, 1943, in which he spoke of making 'State enterprise and free enterprise both serve national interests and pull the national wagon side by side'. Private enterprise means enterprise at private risk, subject to the test of profit or loss; because it is so subject so long as it has no monopoly, it can be left free of other tests of efficiency. Public enterprise means enterprise in which the dominant motive and test of success is not profit but some other purpose.

This combination of public and private enterprise opens the possibility of adjusting methods to different circumstances of different industries according to the degree to which they tend naturally to monopoly. It opens the possibility of maintaining employment by expanding or contracting public enterprise to meet contraction or expansion of private enterprise. The questions that may be asked in regard to it include the following:

1. Which industries will be treated by public enterprise and which left to private enterprise? How can the boundaries between them be drawn? How can competition between them be dealt with?

2. How can the public enterprises be kept enterprising? Through what machinery will the State control them? Who will plan their output?

3. How can the private enterprise industries be saved from unregulated competition and fluctuation on the one hand, and exploitation of consumers by monopolistic agreements on the other hand?

4. Unless the scope of public enterprise is wide enough to include a great variety of occupations, can public enterprise effectively maintain productive employment, by expanding as private enterprise industries contract?

In addition to the questions appropriate to each of the main methods proposed for the control of industry, there are some questions which apply to all of them alike. Perhaps the most important of these general questions are:

1. How will the export trade be dealt with?

2. How will the employees be safeguarded in respect of wages and conditions of employment?

3. How will sufficient research into new technical methods be secured?

4. How will savings and investment be regulated?

The last question illustrates the fact that both the foregoing discussion and Mr. Madge's paper that follows cover part only of the general problem of maintaining employment after the war. All the alternative methods of control briefly described here are affected by the policies that may be adopted in relation to money, prices, international trade, taxation and the control of savings and investment. It will, I hope, be possible to deal with some at least of these questions in a later paper in the same series. But the first three at least of them involve setting up a target not for Britain only but for other nations also. Solution of these problems involves close international co-operation. Meanwhile it is important that the British people should by discussion prepare the way for reaching a reasoned decision on the problems which concern them most directly—as to the persons by whom and the methods by which British industry can be controlled and operated so as to give the best results.

As I have said, the primary object of Mr. Madge's paper on control of industry, as it will be the primary object of the papers that follow on other topics, is to assist, stimulate and guide common discussion of our common problems. It is necessary not only to wish to do things but to know how to do them, to find the right technique. The greatest hope of dealing successfully with what, next to war itself, has been perhaps the most dreaded evil of this time—the evil of mass-unemployment—lies in treating it not as a political issue but as a technical problem.

INDUSTRY AFTER THE WAR:

Who is Going to Run It?

The control and organization of industry is a question which affects everyone in all parts of the world, but particularly the people of Britain. Other countries, great and small, while having some share of industry, have an equal or greater share of agriculture. For us the balance is heavily on the side of industry. The great majority of men, and a large minority of women, are industrial workers. If you take a week in the life of such a worker, you will find that for roughly a third of it he is sleeping, for another third he is travelling, eating or resting, for the remaining third he is working. Into this third part of his life in which he works go most of his energy, his skill, his ambition. It decides where he lives and how much he lives on.

Seen in historical perspective, large-scale industry is very young—only some 150 years old. As Sir William Beveridge points out in his foreword, in this time it has broadened our lives immeasurably. It has filled the shops with new things we can buy. It has lit and warmed our homes in new ways. It has given us new means of transport. Yet at the moment when technical advances were so striking, and when the mass of people saw within their grasp a richer, more varied way of living, industry has seemed to fail in its purpose. Instead of the Promised Land, this generation has had to put up with the wilderness. Instead of rising to a new tempo, the wheels of industry have slowed down and stuck.

Why is this? It cannot be due to lack of resources, or a lack of technical knowledge. It must be due to the way in which industry is organized. The problem of running industry is the problem of insuring that it serves to the full its proper purpose, that of raising the general standard of living, in its total sense of fulfilling the whole range of human needs.

There is a very general feeling that we need to improve on present methods of organization. Who is to control industry? We believe that problem to be basic, and to underlie all the other problems of planning—the planning of health, of education, of nutrition, of town and country and so on—with which we shall deal in other issues in this series.

Before considering possible solutions of this problem, we must be sure that it makes sense. We must avoid loose thinking about 'Industry' in the abstract. 'Industry' is a convenient portmanteau which holds an assortment of notions. It appears at first sight to be a great collection of independent factories and workshops, mines, docks, railways and so on and so forth. The names of the directors of these concerns fill quite a large volume. The technical running of all the factories and other means of production is in the hands of a small army of managers and technicians. The money capital needed for running the concerns is put up by another and larger section of people, the shareholders. All these people—directors, managers and shareholders—can be said, in one sense or another, to assist in the 'control' of 'Industry'. Moreover, the Trade Unions exert control on the conditions and wages of labour, and the Government has an over-all controlling influence through its taxes and tariffs, or more directly through Marketing Boards and other types of legislation. It is necessary to analyse this complex thing called Industry, with its ramifications of control, and to discern behind it the principles on which it operates.

For a start, let us try to answer three further questions:

Who controls industry now?
What does this control involve?
What have been its effects over the past twenty years?

Workers

WHO CONTROLS INDUSTRY NOW?

By far the greater part of British industry is run by private enterprise. (We are including in our definition of industry services like transport and retail distribution.) The theory of private enterprise is that everyone is free to compete in producing goods or giving service. In fact, as is well known, at the present stage of development of private enterprise, competition is no longer free. Whether or not this is a good thing, the historical trend is so strong that trying to put the clock back is a doubtful venture. In practice, over a wide range of industry the level of output is decided either by a few dominant firms or by some form of Trade Association. Competition continues, but in a limited, 'imperfect' form. This is the trend and it is not a matter of dispute.

If we take the case of a single company, it is controlled by a Board of Directors who are formally appointed by the shareholders of the Company. As we all know, there are usually a great many shareholders who take little or no part in controlling the affairs of the company. And there are a few large shareholders whose influence is decisive. In practice, a large shareholder need in many cases hold only 20 per cent of the shares, to have effective control over the company. This state of affairs helps very much to centralize control of each firm, however large, in a few hands. In addition, there has been a steady tendency for large concerns to take over small ones and to create a net-work of financial control over very large sections of industry. Sometimes this control is 'horizontal', i.e. it extends over all the companies which produce a certain type of goods. Or it may be 'vertical', i.e. there may be a single control over companies producing raw materials, such as coal or iron, and over the companies which use these materials for producing finished goods.

Directors

The link between different companies may be very close or it may be very loose. Trade Associations are made up of companies producing a certain type of goods or services who agree to consult together on certain issues. The scope of such agreements varies very greatly. Trade Associations are a very fluid form of organization. They come and they go. They may agree for a time to some stringent form of price fixing, but the agreement may not prove permanent. There remain, at any given time, quite a number of companies, both large and small, which do not belong to their Trade Association; and quite a number of Associations which do not go very far towards integrating their industry.

But though control of industry is still far from completely centralized, and though there are many weak links in the chain, the whole trend is towards centralization. War time is, of course, an exceptional period in this respect. The Government has set up controls for all the main industries. It can decide who is to get the raw materials and labour, and how much. These Government controls are in many cases more or less identical in personnel with the Trade Associations of peace time. Wartime difficulties have hastened on the process by which stronger companies absorb those which are weaker and smaller. There has also been a planned Government policy of concentration, reducing the number of concerns operating in industries not essential for war purposes. All this means a further speeding up of the integration and centralization of the controls over industry.

WHAT THE CONTROLS INVOLVE

The control of a single factory or company, or of a section of industry, or of the whole of industry, involves decisions about prices and sales policy, about wages and labour policy, and about

production methods and the expansion or contraction of industrial plant. Let us take these three main fields of decision in turn.

In fixing the price at which their product is to be sold, the controllers would be limited in conditions of free competition by the laws of supply and demand. But when an industry is sufficiently under the control of one predominant group, that group can, if it likes, decide to restrict the supply and raise the price. It is under these conditions of 'imperfect competition' that industry normally operates nowadays. It does so not without protest. Any group which uses its dominant position to impose a price which anybody can see to be very excessive has got to face an extremely hostile public opinion, especially if the type of goods concerned is one in wide demand. Moreover, at modern standards of life, no article is a necessity up to the extent to which it is habitually consumed. If a monopolist of bread puts the price up, he loses some of his market to meat or other forms of food. If a monopolist of soap exploits his monopoly, people use less soap and buy more of what seems to them better value in something quite different. In practice, therefore, semi-monopolies in industry seldom go all out to charge obviously excessive prices. But, according to many modern economists (*cf.* page 54), the widespread semi-monopolies which exist today have a restrictive effect on total production and are a potent factor in causing unemployment. As we shall see, organized industry usually denies that it has this tendency to restrict production (*cf.* page 34). There is a marked cleavage of opinion on this point between those who direct industry and those who study its operations from outside.

In fixing the wages and conditions under which their workers are employed, those in control of industry have to reckon with the Trade Unions and in some cases with machinery set up by the Government. In selling their goods to the public they are dealing with an unorganized mass of consumers. But in buying the labour of their workers, they are most often, but not always, faced by an organized body of men, whose function is to secure the highest money wage and the best conditions which they can. To that extent, industry's control over wages is reduced. The Trade Unions have an increasing say on these matters. In this country, the framework of wage negotiations is highly organized and centralized. There are fifty Employers' Federations, representing fifty of the main sectors of industry, which pay wages agreed on with the Trade Unions concerned. These Federations are in many cases separate bodies from the Trade Associations described above. The latter, as a rule, deal only with prices and sales policy, not with wages.

The Trade Associations are linked up in a national body called the Federation of British Industries. Similarly, the Employers' Federations come together in the British Employers' Confederation. These two national bodies are formally quite separate. But in accordance with the general trend towards central control, there is now a move towards amalgamation or at least better arrangements for an integrated policy.

With regard to production methods and contraction or expansion of plant, there is no similar central body. The Trade Associations do include among their functions some degree of common research and pooling of information. But it was a striking feature of pre-war industry that, on the whole, each industrial unit worked out its own methods, whose secrets were carefully guarded. Even in war time, the trade secret is still a serious factor. If a new company wants to enter an industry, or if a company wants to install new up-to-date plant, it has often to reckon with combines and Trade Associations already in the industry. The decision, therefore, whether or not to develop a particular sector of industry, or a new technique of production, largely rests with the controlling group. One of the great arguments for planning is the need for an overall pooling of such questions, which cannot well be decided by one section of industry, or, for that matter, by one country acting on its own.

CONTROL OF INDUSTRY BETWEEN THE WARS

In the twenty years from 1919 to 1939, industry was almost continuously under pressure of abnormal conditions. It was in the hope of reaching some sort of stability that most of the

attempts to get greater control were made. An important development during these years was the increasing part played by the Government. In the nineteenth century it had been an axiom that the Government should not interfere with the course of free private enterprise. But now it was becoming clear that enterprise was free no longer. So, very cautiously and so slowly as largely to defeat its own ends, the State began to advise, to legislate, and even to coerce industry into a new mould. The process went on whether the Government in power was Liberal, Conservative, Labour or National. Looking back on those twenty years, it seems that much of the contribution made by the State was little more than tinkering with the complex problem. But historically, it was at least a beginning of the process towards increased State control which, in one form or another, appears to be inevitable in the long run.

There was a Ministry of Reconstruction in 1919, and it had a Standing Committee on Trusts which issued a report. This report stated that 'there is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of Trade Associations and Combinations, having for their purpose the restriction of competition and the control of prices'. It warned that the monopolist groups might 'within no distant period exercise a paramount control over all important branches of the British trade'. This finding was confirmed by other Committees at a later date. The Balfour Committee in 1929 found in British industry an important 'element of monopolistic control, e.g. through price-fixing, output restriction or marketing agreements'. In 1931 another Government Committee stressed 'the tendency for combines or combinations to increase in number and importance'.

Most of us know and many can remember the chaotic history of industry between the wars; how the unregulated post-war boom was followed by a devastating slump; how Britain never fully emerged from this slump up to the time when a second world depression came along to deepen it; how unemployment soared to figures previously unthought of; and how only the approach of another world war was able to start the wheels turning again. This was the period of the scrapping of textile mills and shipyards. They were scrapped in the name of 'reconstruction', 'reorganization' and 'rationalization'. The Government and the Bank of England were sponsors for such schemes. It was undoubtedly the case that the Lancashire cotton industry had too many spindles and the shipbuilding industry of the Tyne and Clyde had too many berths; they were over-expanded and much of the surplus equipment was out of date and uneconomical. Yet now, looking back on the restrictive operations which set out to prune off this obsolete plant, it is clear that this involved the devastation of particular towns, as at Jarrow. In some cases the plants chosen for closing, whatever the reasons for choosing them, appear to have been among the most efficient.

After the last war, the industrial structure of this country was out of line with the new shape of home and world markets. The market in cheap cotton goods had been taken over by Indian and Japanese manufacturers. The European market for British coal had shrunk as coal production on the Continent increased. Technical advances had made the plant in these British industries obsolete and uneconomic. The problem was one of adjustment, adaptation, transfer and training. Even in the great depression of the 'thirties, the hard core of unemployment was due, not so much to trade cycle causes, as to these structural causes. A central planning authority, representing the community as a whole, and having adequate powers, might have carried out the necessary changes. But the institutions we had before this war were unable to deal with the situation.

The reorganization of the depressed industries could only be carried through by the agreement of the industrialists concerned. Usually the larger companies supported these schemes and the opposition came from the smaller units. The first aim of the reorganizers was to prevent 'ruinous competition' and fix a minimum price below which no company would sell the product. To enforce this, the output of the different companies had to be closely controlled. Each was assigned a quota. Any company which produced more was fined. Any company which produced less was compensated. As might be expected, this was hardly an encouragement to greater efficiency. A Government Committee mentioned the case of one company which stopped

production altogether and lived very comfortably on the compensation provided by the other companies of the group.

Industries which came under these forms of control were in many cases able to stabilize prices and to fix them higher than they would have been under free competition. But as we have mentioned, only in a few cases were the prices really extortionate. When they were so, Government Committees pointed out the fact. Thus the Sub-Committee reviewing the Electric Lamp industry called attention to the almost complete monopoly of the Electric Lamp Manufacturers' Association, stating that the price of a certain type of lamp should not be more than two shillings, whereas it actually was three shillings, as a result of which the Association made excess profits of £280,000. Such policies, the Committee declared, were 'contrary to the best interests of the industry and of the consumer'. On the other hand, in the early 'thirties, some observers argued that monopoly could do more good than harm. Thus the Balfour Committee stated that 'the case for immediate legislation for the restraint of such abuses as may result from Combinations cannot be said to be an urgent one'.

In the all-important iron and steel industry, imports rose to such an extent that a high tariff was imposed in the early 'thirties. In return for this tariff, the Government insisted that the industry should reorganize itself. This should have meant cutting out obsolete and inefficient plant and introducing new plant and new methods. It was with the greatest difficulty that any scheme could be imposed on the industry. Finally, in 1934 the British Iron & Steel Federation was set up. The Federation undertook not to raise prices as a result of increased protection, yet the Board of Trade index of iron and steel prices increased by over 38 per cent in three years. To quote an historian of the industry, Mr. D. L. Burn, 'There was no question of a general plan. . . . There was a marked unwillingness to interfere with the integrity and autonomy of existing firms, even where this seemed necessary for maximum technical efficiency.' In 1939, the price of British steel was 50 per cent above the world price.

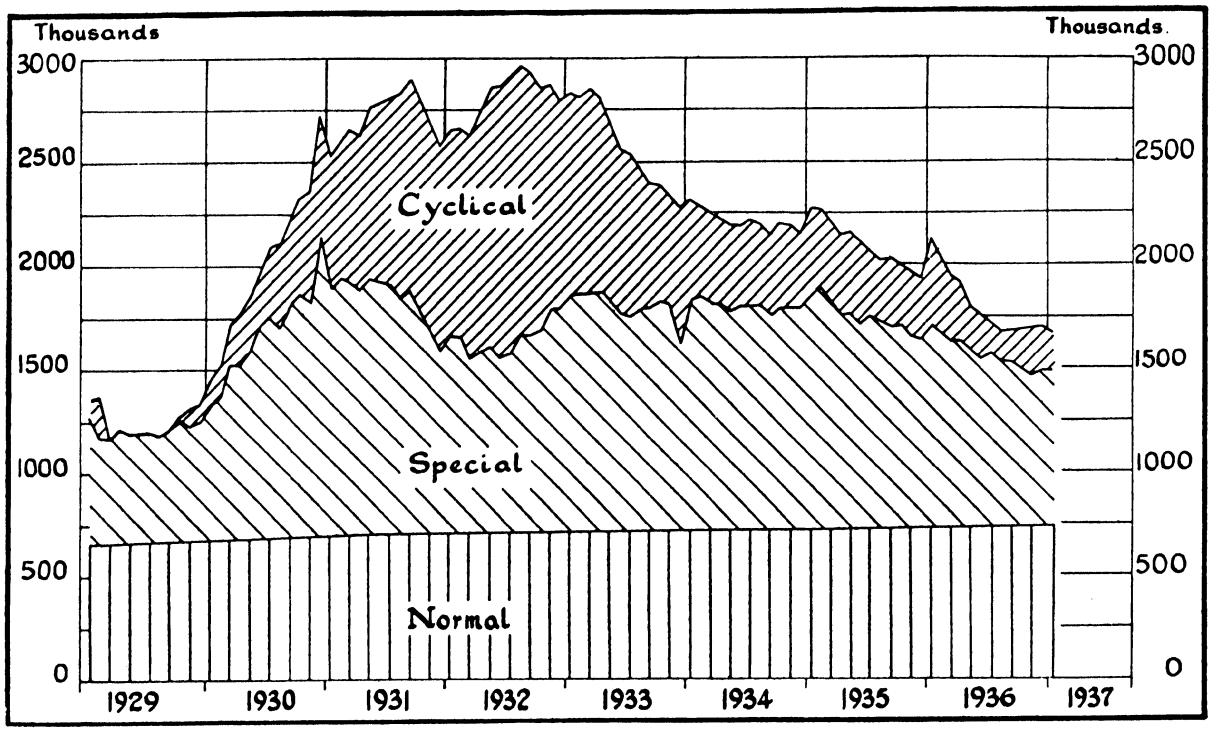
While the Government and the industrialists were thus trying to put British industry on its feet again and tripping up over the contradictions and the complexities of the situation, there were of course others with a simpler, broader plan. At the end of the last war there were many in the Labour Movement who pressed for the nationalization of various key industries. The miners, who hoped that after the Sankey Commission they had secured the nationalization of coal, found these hopes defeated. Their disappointment was in part responsible for the Great Strike of 1926 which was a critical turning point in the evolution of Labour policy towards industry. In 1927 the leaders of the Trade Union Congress sat in conference with a group of British industrialists, headed by Lord Melchett, then Sir Alfred Mond. This was to be the beginning of joint discussions affecting their common interest in the whole of industry. Just as the workers in separate industries had previously negotiated wage agreements with the organized employers of the industry, so now the workers' central body, the T.U.C., would negotiate with the central bodies of the industrialists. As it turned out, the time was not yet ripe for so ambitious a move. The two central bodies, the Federation of British Industries and the British Employers' Confederation, would not follow the lead given by Lord Melchett and his group.

Meanwhile the Melchett group were pressing in Parliament for 'self-government in industry'. This meant that a majority of the producers in any industry should be able to compel all the other producers to follow an organized programme. There would be a National Council of Industry which would have similar powers over the whole industrial structure.

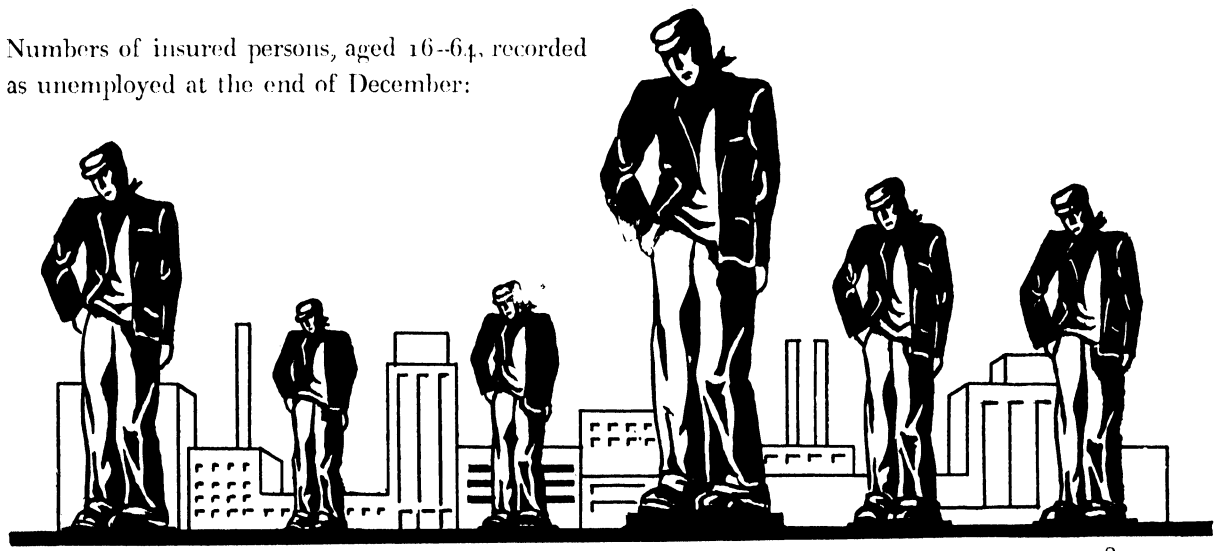
This trend of thought is still active. On the one side there is the idea of a central control of industry exercised by industrialists; on the other side, the Trade Unions are to be given a place in the structure of control. As we shall see in a minute, ideas parallel to these have actually been put into effect in certain other countries, not always with success. Much obviously depends on the amount of power which is left to the Government, to the Consumer, and to the Trade Unions, in schemes where industry takes the initiative to secure its own control. When we

Above: *Trucks empty*
Below: *Men idle*

UNEMPLOYMENT



Numbers of insured persons, aged 16–64, recorded as unemployed at the end of December:



1921	1924	1929	1932	1935	1938
2,038,000	1,263,000	1,344,000	2,776,000	1,858,000	1,827,000

Source: Labour statistics of the Ministry of Labour.

These two diagrams illustrate unemployment between the wars. The top graph was published in the *Economist* of March 20th, 1937, and shows the proportions of unemployment estimated as due to (a) The Trade Cycle (b) changes in the structure of British industry ('special') (c) normal or frictional causes. War-time experience makes us doubt if we should regard a figure of 500,000 unemployed as normal.

The lower diagram shows the numbers of insured persons aged 16–64, recorded as unemployed at the end of December in six inter-war years. 1921 was the post-war slump. 1932, World Depression.

come on to the plans which are now coming forward from important industrial bodies, we must remember that these ideas have been developing now for at least twenty years.

WHAT HAS HAPPENED IN OTHER COUNTRIES

U.S.A.

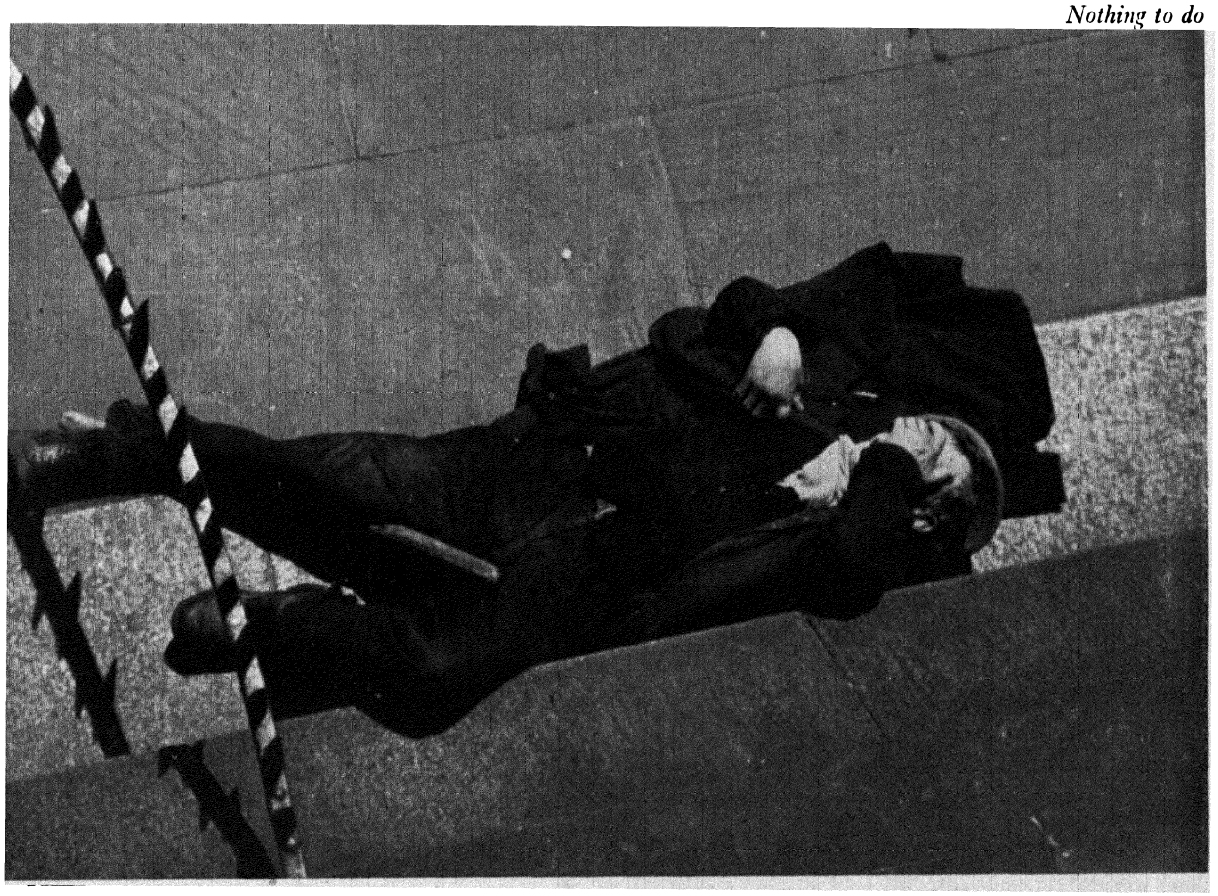
In each of the great industrial countries the same general trend can be observed, though they are at different stages of development and each has evolved in its own way. We can learn a great deal from the experience of other countries.

At the time of the Great Depression when President Roosevelt first came into office, the mood of the United States was in favour of drastic measures. In America, economic events have a way of happening on a titanic scale. The Depression had been on such a scale. The people and Government felt the need for similarly large-scale and sweeping measures of reorganization.

The concentration of industrial power in a few hands had probably at that time gone further than in any other country. At the same time, there had been a strong popular feeling that the growing strength of monopoly was a menace, and legislation, such as the Sherman Act, had sought to curb it, with only partial success. Each new law seemed to produce new counter-techniques of evasion. When President Roosevelt was elected, it was largely on a Trust-busting programme.

Yet paradoxically, the first great measure of the New Deal, the National Recovery Act of 1933, was aimed to make the industrial structure even more close-knit. The President hoped to establish through the N.R.A. some kind of partnership between industry, labour and Government which would be an answer to Fascist or Communist planning.

Nothing to do



Each industry was called upon to draw up, of its own free will, a Code, providing a legal framework for close integration of all the companies and groups within it. At the same time the workers were encouraged to organize themselves into Unions. Altogether about 750 Codes were drafted, the most important being the Textile Cotton Code, the Oil Code, the Steel Code, the Automobile Code, and the Coal Code. The Codes made provisions for hours and wages of labour. More than three-quarters of them also fixed minimum prices, over half of them at levels which were thought to be unduly high.

Control and supervision of the carrying out of the Codes was in the hands of a large administrative staff. There was a Labour Advisory Board, Consumers' Advisory Board, and Industrial Advisory Board to advise the administration. The first two of these were never able to bring much influence to bear.

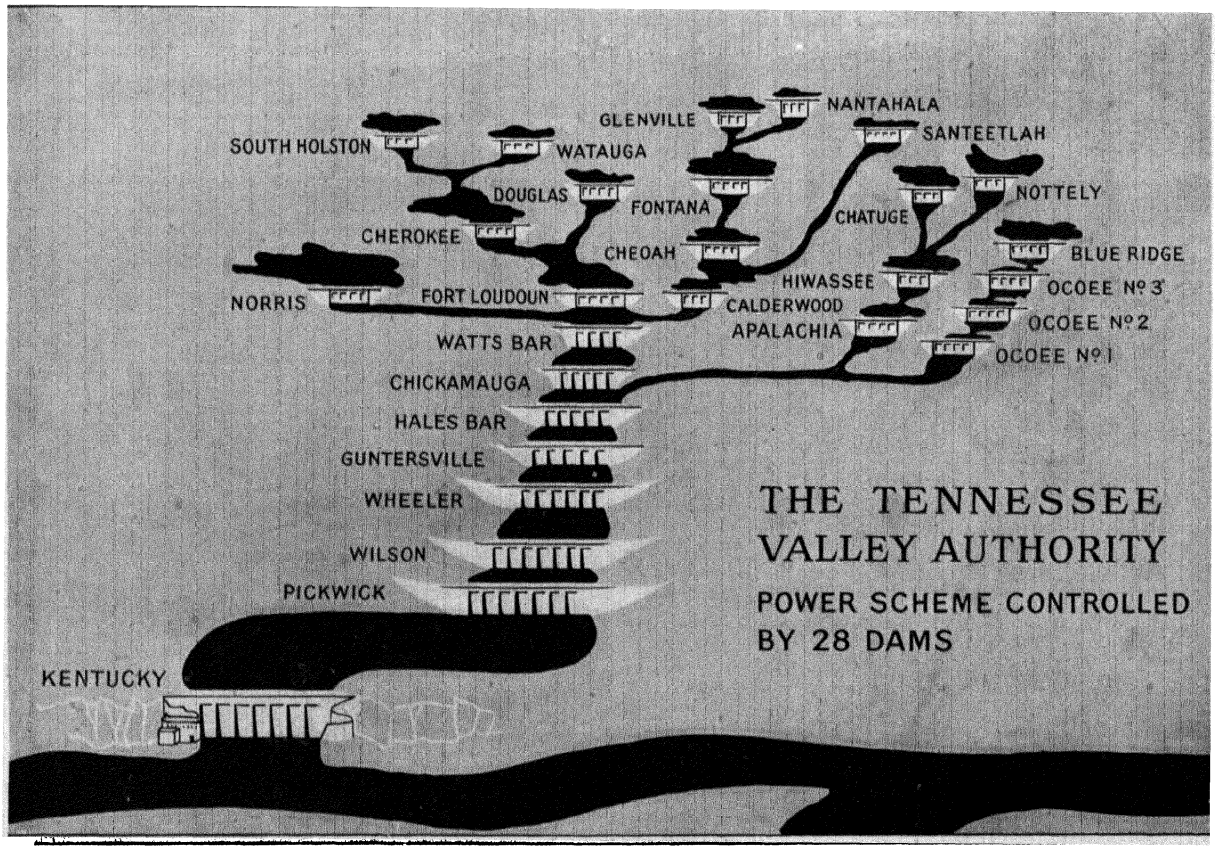
The main trouble about the Codes was that they represented the interests not of the economy as a whole, but of each individual industry. Instead of expanding purchasing power and employment, they tended to increase profits and restrict output.

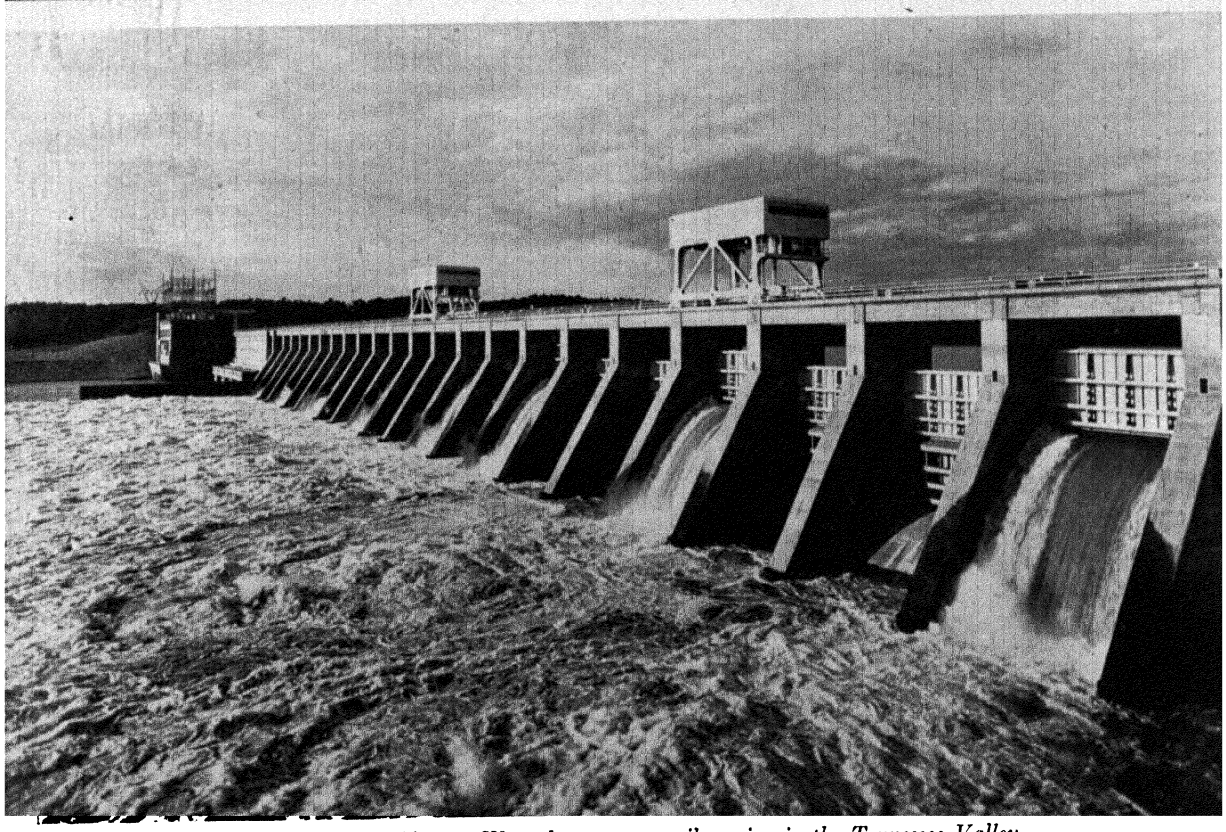
In the end, after two years of struggle, the N.R.A. collapsed. The decision by the Supreme Court that the Codes were not legally valid merely confirmed the general feeling that the experiment had been a failure. In seeking the causes for this failure one can see the following to have been crucial:

(1) The scheme was put over in too big a hurry and without a sufficiently clear thinking-out of the central issue.

(2) To quote an American opinion, 'the fundamental difficulty proved to be that business men simply cannot act as detectives and judges against their fellows'.

(3) The country as a whole was not ready for so drastic a development, which can only be successful if it has mass support.





Above: *Wasted resources: soil erosion in the Tennessee Valley*
Below: *Planned resources: one of the power dams (see diagram on opposite page)*

(4) In practice, the partnership between Industry, Labour and Government was one-sided, showing once more the inevitably growing power of the monopolies.

(5) Within industry, no basis of agreement could be reached between the big dominating concerns and the host of small producers on the one side, or between the different sections of industry, where their interests conflicted.

Although this experiment failed, in other directions the New Deal proved far more successful, and we can learn not only from this failure, but from the splendid achievements of the Tennessee Valley Authority. In developing the great natural resources of the backward area of the Tennessee Valley, a comprehensive plan was laid down in the interests of the community. For such an area, planning is much easier than in an area where industrial forces have already built up a structure of ownership and control.

In spite of the failure of N.R.A., the Roosevelt administration has at no time abated its anti-monopoly efforts. The President set up a Temporary National Economic Committee to investigate the problem and make recommendations. In their inquiries they took more than 20,000 pages of testimony and issued 43 monographs. The final report was published in 1941. It concluded that monopoly was in the saddle in the United States, and that it was essential that free enterprise should be fully restored. 'Political freedom cannot survive if economic freedom is lost.'

More recently, in March 1943, a report popularly known as the 'U.S. Beveridge Plan' was published by the National Resources and Planning Board, another New Deal agency. This repeats that the Government should encourage 'healthy and aggressive private enterprise'. But the Government is expected to provide a stimulus both in planning and financing new enterprise.

The United States seem to be in a cleft stick between the inherent American faith in free enterprise and the undiminished trend towards monopoly.

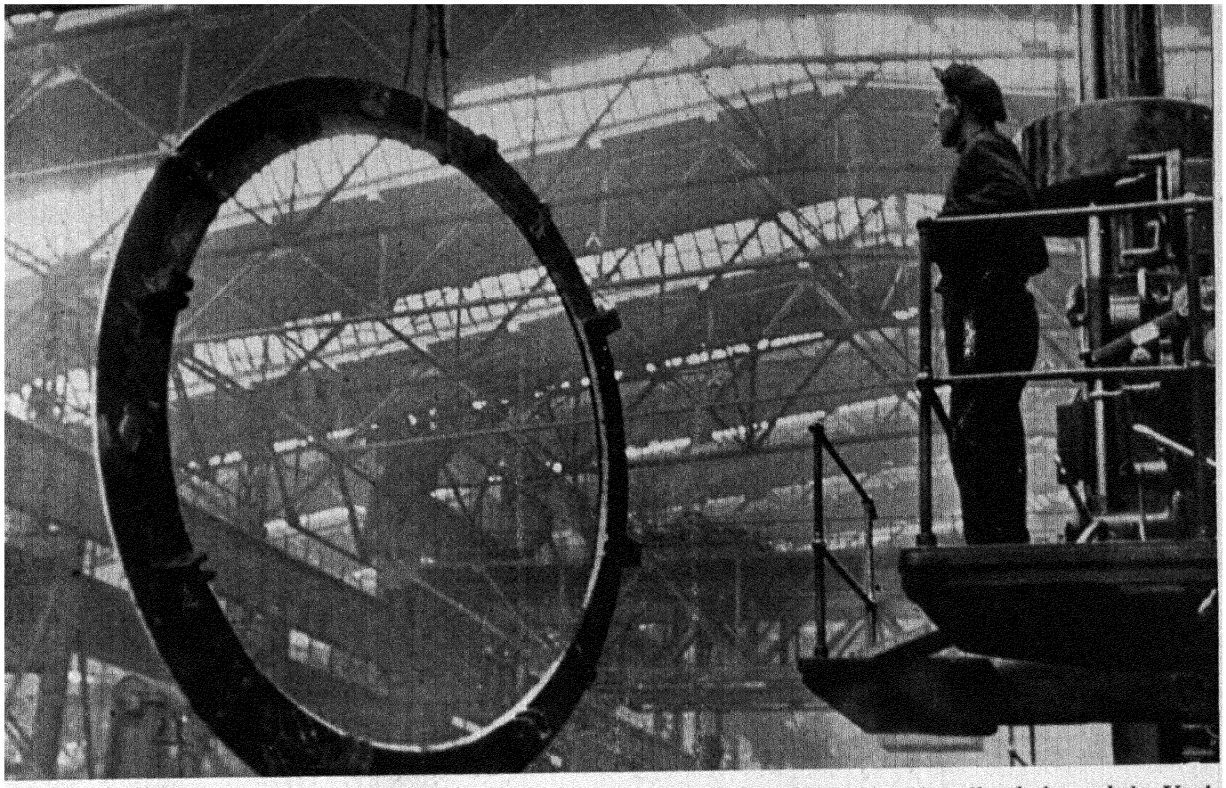
U.S.S.R.

In most of our minds, Soviet Russia is the outstanding example of a planned economy. The Russian war achievement has confirmed beyond doubt the vigour and efficiency of the planning and the marshalling of mass support behind it. If we are to learn from Russia, and there is much that we can learn, we must at the same time remember that this huge country had been, like the TennesseeValley, a backward area with vast natural resources. There was not the same complex structure of highly developed industry.

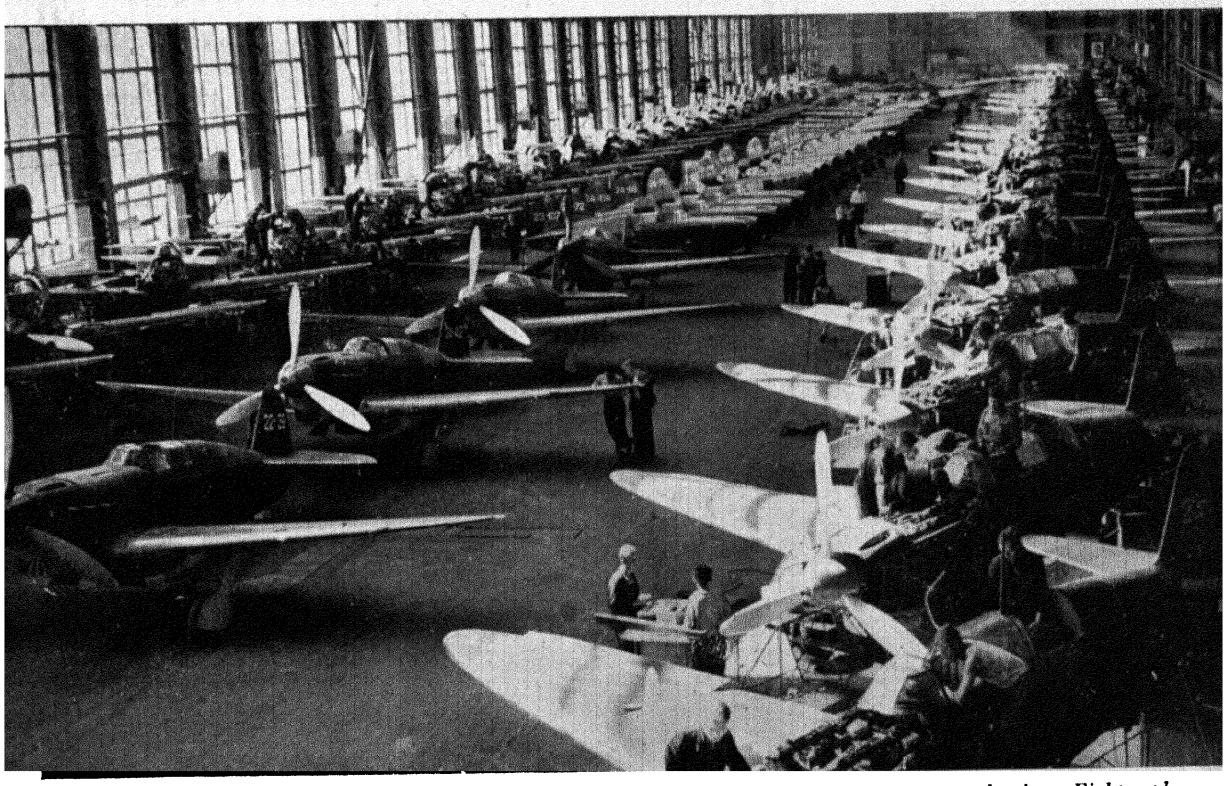
Another thing to remember about Russia is that the Soviet planners have evolved and are evolving their methods of control in an experimental spirit. They have not hesitated to make big changes of policy in the light of practical results. They can do this, because the decisions rest with a central planning body with complete authority for carrying them out. At the same time, they have set themselves to give the individual worker a sense of participation in the industry and a desire to make its output as great as possible.

For the first few months of the Revolution, the workers literally took over the control of industry. The running of the trains on the Petrograd-Moscow railway was decided by the station staffs. There was a tendency for each factory to compete with every other. Within six months, however, Lenin decided that such methods were unpractical and that there must be managers appointed by the Government to supervise industry. The whole of production is planned by State Commissariats, which administer Trusts and Combines. Trusts are 'horizontal' combinations of all the enterprises making the same sort of goods. Combines are 'vertical' organizations, e.g. the Magnetogorsk Combine which includes mining, iron and steel works, electric power plants, machine shops and so on.

Each enterprise is given a certain credit for purchase of materials and for the wages bill. It has to try to make its accounts balance, thus giving a check on its efficiency as a productive



Soviet Industry: Assembly room of machine building plant. Sverdlovsk, beyond the Urals



Soviet mass production: Fighter planes

unit. In certain cases, however, an enterprise is allowed to work at a loss if this fits in with the planned interest of the community.

In the early stages, as is well known, Lenin actually reintroduced private profit, in his New Economic Policy. At that time the whole economy was paralyzed by the effects of the Great War and the Civil War. But this was only a temporary phase. Under the Five Year Plans private enterprise was once more liquidated. Other incentives include a fairly wide range of variation in income, and an encouragement of competition in effort between different shops in a factory and between individual workers.

About 85 per cent of all workers and salary earners in the U.S.S.R. are members of Trade Unions, a far higher proportion than in any other country. The Unions negotiate wage agreements with the organs of management and take part in settling wage questions, hours and conditions, both at the factory level and centrally. Trade Unions and managements work together in finding the right people for the right jobs and in increasing production. Together with Works Committees, Soviets and other bodies, they discuss and criticize the policies laid down by the Government so that the final Plan can be influenced by the suggestions of the ordinary worker or citizen. The feeling that they participate in making the big decisions is a very important factor in uniting the nation behind its planned economy.

We can learn from Russia:

(1) The advantages of a central plan in avoiding a chaos of conflicting aims.

(2) That other incentives to effort besides the private profit motive are feasible and do work in practice.

(3) It is essential in a planned society that people should have the feeling of participation, that they should be consulted and represented in appropriate forms of organization.

Germany

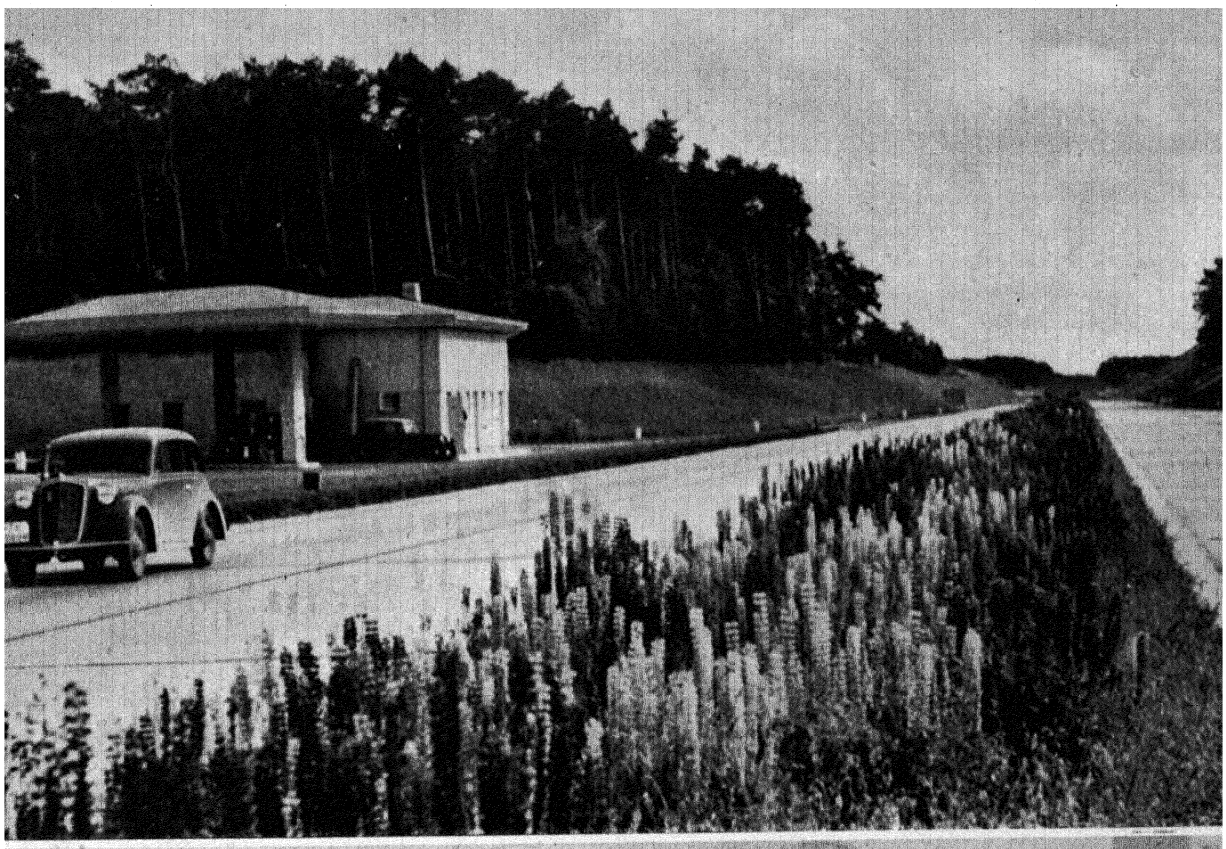
If wartime experience has shown the strength of the Russian system, so, to our cost, has it shown the strength of Nazi Germany. History may well finally expose the weaknesses of this latter system, but we cannot underestimate its potency and we should do well to examine the reasons for it.

Like Russia, Germany has had the great advantage of a central idea, though an idea much more limited in scope and in the long run probably suicidal. The central idea of Nazi planning is the idea of self-sufficiency. The nation must have the maximum independence from the outer world, as if it were a military camp under siege. Manpower and resources must be ruthlessly employed in accordance with this idea. For this reason it is necessary for the State to exert strong controls over industry.

Nazi Germany has not in theory rejected private profit or even free competition. In practice, however, before Hitler came to power, German industry was already in an advanced stage of monopoly control. The typical form of this control is the Kartell. A group of enterprises agree among themselves that each shall produce a given quota of goods and their profits go into a common pool. As early as 1923, the State had the power to combine enterprises into 'compulsory Kartells'. In 1933 the Hitler regime took on powers of control over all Kartells and other bodies which fixed prices. Broadly speaking, the same people had these powers as before, but under new titles. The Minister of Economic Affairs can dissolve a Kartell or create one. He can fix prices and fix the output of the given industry. He is helped by the Institution of Public Accountants. They have access to all the accounts of private enterprise. Hundreds of highly trained experts act in this way as 'detectives of business'.

The State also has very widespread economic control because it is the sole customer for many kinds of goods, or else very much the largest consumer. This is a situation like that in wartime Britain, where all the planes and tanks and other war materials are paid for by the Government, though they are manufactured by private enterprise. In Germany things were very much on this

Above: *German Autobahn*
Below: *Salute with spades*



basis before war was actually declared. From an economic point of view, Germany began to be at war as soon as Hitler came to power.

There have been two Four Year Plans in Germany, the first directed by Dr. Schacht, the second by Goering. Under Goering are six Reich Groups—industry, handicrafts, commerce, banking, insurance and power economy. Industry is divided into seven Principal Groups and these are sub-divided into Economic Groups. Every enterprise and every employer has to belong to the appropriate Group and has to carry out its policy. In Germany, therefore, there are still employers and private firms. But they cannot carry on unless they do as the State tells them.

The Labour side is governed by the National Labour Act of 1934 and by the German Labour Front. The owner of a firm is the 'Works Leader'. He draws up regulations for work. He nominates the members of a Council of Confidence from his employees. Government officials called Trustees of Labour in effect decide all questions of wages, and 'advise' the Works Leaders and Council of Confidence. The German Labour Front has replaced all former Trade Unions but not all Employers' Associations and Federations. Membership is compulsory. Its two most important sections are those for the Maintenance of Social Peace and for raising the standard of living (including the 'Strength through Joy' movement).

It can be seen that at all levels there is a strong element of compulsion in German industry. The whole organization is directed to one purpose, that of increasing German military strength. At the same time, it can be seen that in spite of the compulsion, workers and employers have at least a formal participation in working out the national Plan.

In Germany therefore we find:

(1) A central plan with a central idea.

(2) An attempt to give a sense of participation to workers and citizens.

(3) The motive of private profit remains, and the development of central controls and monopolies goes on, subject always to the decisions of the State. The State itself is governed by a militarist Party organization whose driving force is nationalism and efficiency for war.

Sweden

An attempt has been made in Sweden to iron out the fluctuation of slump and boom by a system of State investment. Each year, two budgets are prepared: one is the ordinary budget, in which current Government expenses are balanced against revenue; the other is a 'capital budget'. If employment shows a tendency to fall because there is not enough private capital investment, the 'capital budget', i.e. investment by the State, is correspondingly increased. The Swedish experiment, however, has not been wholly conclusive. It seems probable that plans for State investment do not mature in time to stave off a depression. Moreover, democratic Sweden has not imposed all the controls over wages, prices, employment, foreign trade and exchanges, which would seem necessary for the success of State intervention.

WHAT IS THE IDEAL SOLUTION?

In making plans one cannot start from scratch. If a country has little industrial development and great natural resources, it is easier to make a comprehensive plan which builds up from the beginning. Even in such a case it is necessary to proceed by trial and error. In this country, with its highly developed industry and highly complex system of ownership and control, the planner has to understand the existing structure before trying to build on it. Britain is a difficult country to plan for, and that no doubt accounts in part for our lack of planning. But it does not excuse us from the task of planning. It simply calls for extra patience and an extra degree of scientific detachment.

Plans are being produced by industry itself, and we want to examine them fairly and see what they lead to. Before doing so, let us first consider what would be the ideal solution. What are the objects which our planning should try to secure?

Firstly, everyone should have a job to do and a place to fill in the community. Long-term unemployment should be eliminated.

Secondly, the work we do should achieve the maximum result with the optimum efficiency.

Thirdly, productive work should be organized in the right order of priority, with a first call on the most urgent needs of the consumer and a final aim of extending the range of things which everyone can enjoy.

Fourthly, we must not become slaves to the idea of production for its own sake. We must provide the fullest possible life, which may mean spending less time on making things and more time on enjoying them.

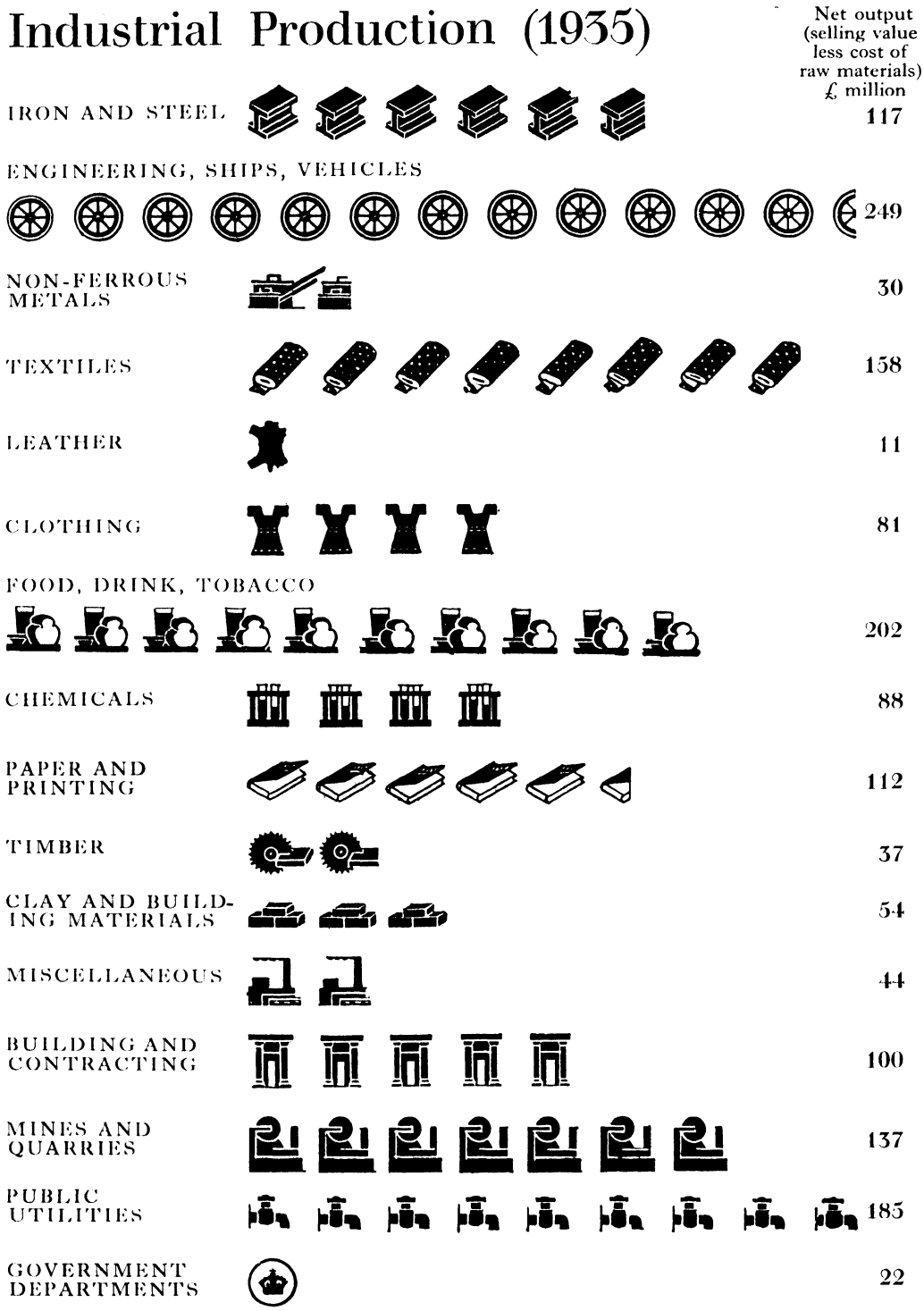
Fifthly, we must not try to raise our own standard of living at the expense of world standards. We lose by the poverty of other peoples.

Sixthly, we must insure that the most able people get the jobs of control and that they have the best incentive to work creatively, while every worker and citizen should have such an incentive and feel that they are playing a part in the whole plan.

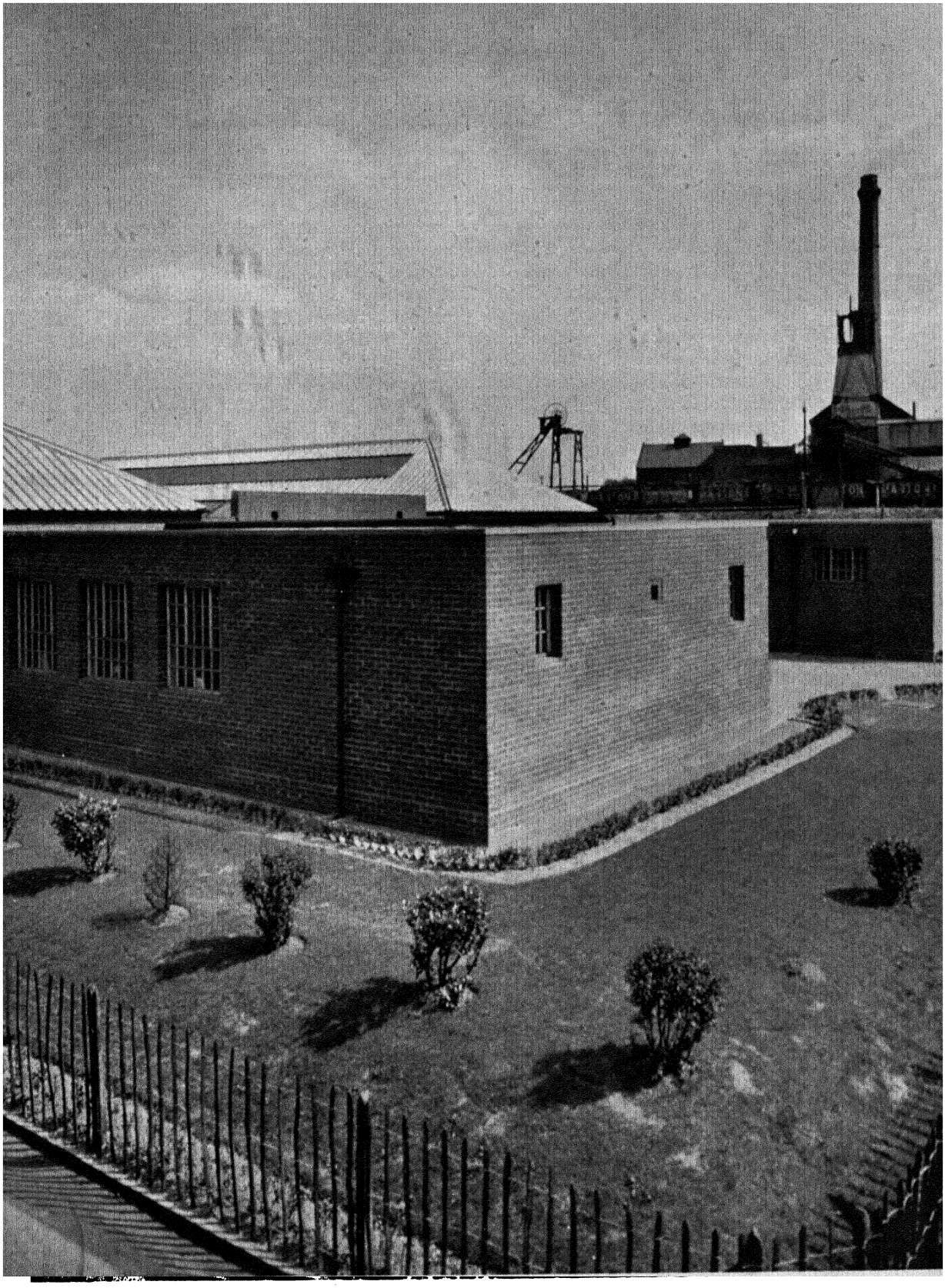
Seventhly, all planning should be based on greatly extended research both into consumer needs and productive efficiency. Accounts and records should be made public property whenever socially desirable. Inventions should not be held back from common use by patent laws, if their more rapid application is in the social interest.

Such aims as these are obviously desirable, even though there are many obstacles to their immediate fulfilment. They form at least a goal to which we can proceed by stages. Any plan which leads away from rather than towards these aims would therefore be open to question.

Industrial Production (1935)



This diagram shows what our different industries contributed to the National Income. The figures are net figures, i.e. they represent the selling value of the products minus the cost of the raw materials. The source is the Fifth Census of Production, carried out by the Board of Trade in 1935.



Pithead baths at Manton Colliery

PLANS PUT FORWARD BY INDUSTRY

'Reconstruction'

Report by the Federation of British Industries

The F.B.I. is a national body to which are affiliated 182 industrial Trade Associations, including all the biggest and most influential. There are, however, some 1,200 Trade and Employer Associations in the country so that a great many smaller bodies are not affiliated. Moreover, by no means all enterprises belong to their Trade Association, and large companies as well as small ones are often among those outside. In spite of these deficiencies, the F.B.I. remains the most important national organization of industry for dealing with the legal, commercial and economic aspects of industry. As previously explained, the F.B.I. does not deal with labour questions. These are the province of a separate organization, the British Employers' Confederation. Both the F.B.I. and the B.E.C. are consulted by Government departments when they want to know the views of industrialists. The report we are now going to summarize was made at the request of a Government department, as we see from its opening paragraphs:

Some months ago, the President of the Board of Trade requested the Federation of British Industries to submit to him, in due course, the considered views of industry as to the main problems which, in its opinion, would need solution in the post-war period. The present Report has been drawn up to meet this request.

The value of the role which can be played in this matter by the Federation depends upon the degree to which it can claim to speak as representing organized industry as a whole on economic and commercial questions.In order that the views of industry might be ascertained, the Report was submitted to the 182 Trade Associations which are constituent bodies of the Federation and which cover all the chief industries of the country, as well as to the members of the Grand Council. It was unanimously adopted by the Grand Council at its meeting on April 15, 1942.

The first pages deal with the need, after the war, of maintaining 'a sufficient force to curb aggression'. Great Britain will be a debtor nation and 'it will only be possible to preserve a reasonable standard of life by hard work.' The need is stressed for international co-operation:

A common policy between the United Kingdom, the Empire and the U.S.A. is essential, although the difficulties are fully realized. . . .

Any British Empire-U.S.A. group that may be formed must maintain close touch with Russia and China, with a view to economic co-operation.

In the consideration of these problems, and in the discussions which will arise from them, the co-operation of industrial and other business interests in this country should be sought and utilized to the full.

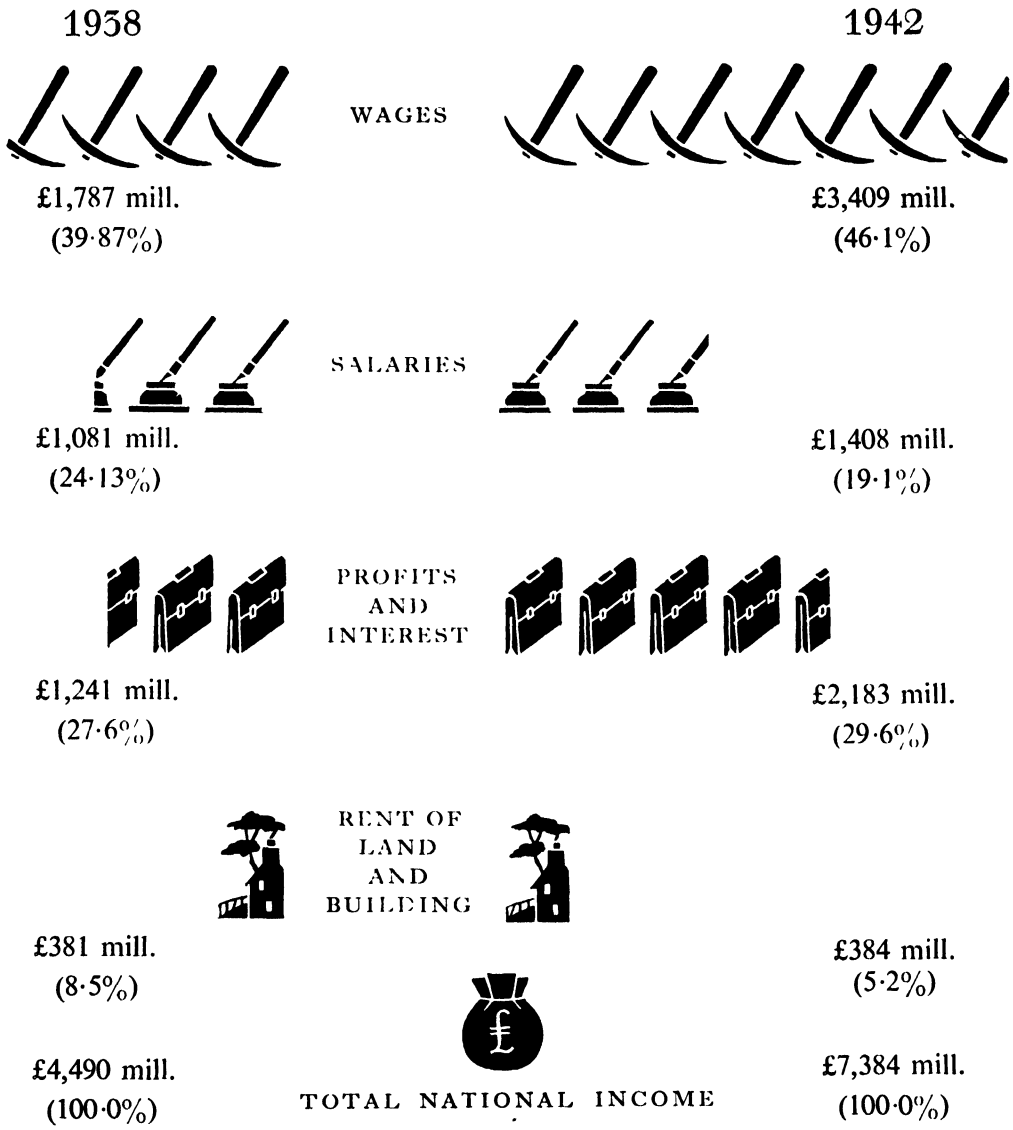
The next part of the report deals with 'World Purchasing Power'. Here is one important passage:

The problem of arriving at some balance between the countries which are essentially producers of raw materials and foodstuffs and the industrial countries is basic. It might be solved by the industrial countries submitting to a lower level of life. Such a step would hardly contribute towards world prosperity in the long run. It might be solved by a drastic curtailment of production by the primary producing countries with the object of forcing up prices of primary products and thus increasing their value expressed in terms of manufactured goods. A policy of artificial scarcity of essential raw materials and foodstuffs does not, however, seem a sound basis on which to build a more prosperous world. It is more than possible that in seeking to obtain a solution, part of the problem will have to be met by action somewhere between the two extremes given above. Unregulated and unco-ordinated overproduction of commodities, whether secondary or primary, harms the producer since he fails to obtain a fair reward for his efforts in the shape of purchasing power and, in the long run, harms the consumer, whatever temporary benefits may accrue, since it destroys the purchasing power of those upon whose prosperity he is ultimately dependent.

Passing from national to international questions, the Report points out that after the war Britain will have changed from a creditor to a debtor nation, and will have a dwindling and ageing population. Moreover:

'One is driven to the conclusion that the problem after the war will be largely that of contracting many industries which have developed for war purposes. Although a rise in the level of employment may be anticipated in those industries which have been "concentrated" or contracted for the period of the war, and in those manufacturing new products, it would be unduly optimistic to regard the problem of the

Distribution of the National Income



Since the war started, there has been set up a Central Statistical Office. Part of its work is to find out the National Income. The only source for this vital information had previously been the work of private investigators. Now, at the time of the annual Budget, the Government issues a special White Paper which is full of invaluable facts about the national economy. It is of great importance that this innovation should be continued after the war. Without such knowledge we can never plan our national economy.

One interesting piece of information in the White Paper is shown above in pictorial form. This is the proportion of the National Income made up of wages, salaries, profits and rents. It will be noticed that while the percentages have not changed very much under war conditions the absolute size of the National Income has vastly increased. With full employment we should maintain the national income at a high level and the wage earner should get a good share. See Analysis of the Sources of War Finance, etc., 1943. Cmd. 6438.

immediate post-war period as one of expanding our industrial capacity. It would seem rather that, taking the country as a whole, we shall really be, at least for a time, in a period of contracting industrial capacity as compared with our present position.'

Factories set up during the war will be redundant and war damage will be a great handicap.

The return to industry of 20 per cent. of E.P.T. will not enable industry to build up 'the necessary reserves.' Taxation must be reduced and industry should be consulted about it. On Government control, the F.B.I. suggests:

'That during the immediate post-war period a measure of Government Control over industry must be retained, to the extent and for the period which proves really necessary. Any suggestion for a more permanent system of the association of Government with industry should be fully discussed with industry and, if any such regulation is found justified on economic grounds, it should be carried out by agreement and in collaboration with industry itself. The danger of bureaucratic influence, and of the stifling of individual effort and of private enterprise must be avoided.'

Other questions dealt with are demobilisation, the place of agriculture, and the importance of the home market. On finance, the report sums up:

'The primary objectives of monetary policy should be (1) to provide maximum employment, (2) to maintain prices at a figure at which production can be carried on with reasonable profit, and (3) to promote stability in the price structure and balanced production both within the home market and in the field of international exchange at large.'

For our purposes, the most significant part of the whole Report is in the passage dealing with the organization of industry. Here are the most relevant paragraphs:

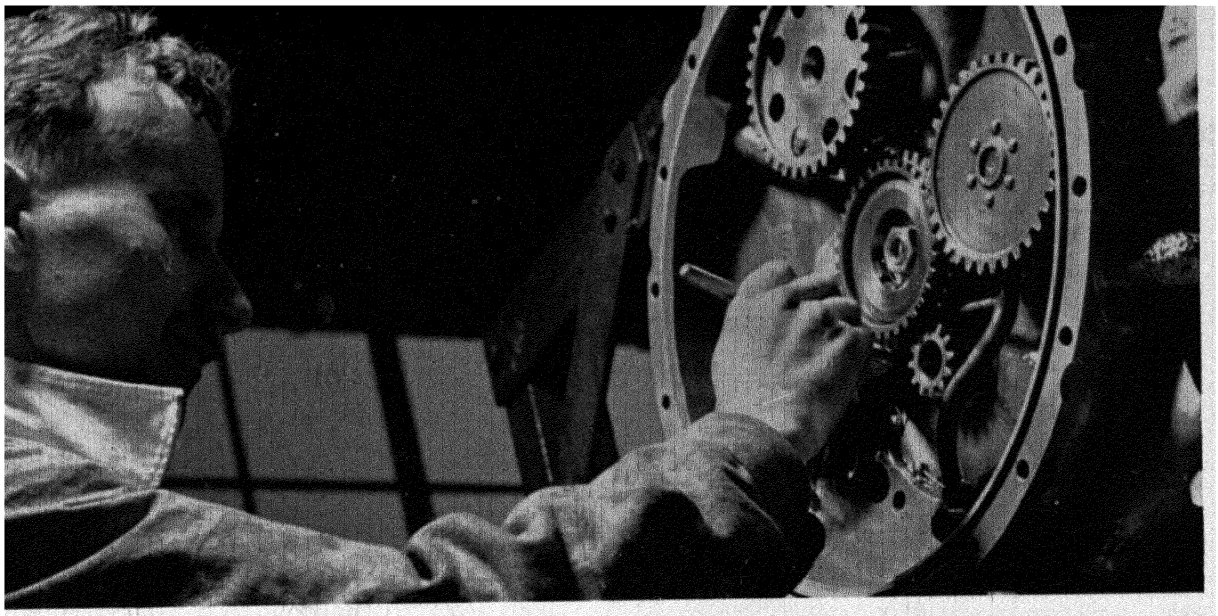
58. The Trade Association Movement has greatly developed since the first world war. It is the basis on which the F.B.I. is founded. It is hardly necessary to go into much detail as to the objects of Trade Associations. The following are the main objects which such a sustem is designed to foster.
59. The general improvement and development of an industry by such means as interchange of statistics; standardization of methods and details of costings and interchange of costings; interchange of methods of working; centralization of research and experiment; technical education and commercial training; standardization of plant, machinery and product; specialization; joint publicity and propaganda; regulation of the conditions and usages of trading and their application to the various industries; centralization and control of sales; demarcation of territory to allow orders to be allotted to the works geographically best fitted to carry them out; and the control of sources of supply of necessary materials.
60. Another most important function of the Trade Association Movement has been to provide an organized and authoritative basis on which international industrial agreements can be negotiated with a view to eliminating uneconomic competition and fostering an ordered system of world trade to the advantage of both producers and consumers.
61. In the past, industry, as represented by the F.B.I., has been in favour of voluntary association. There are advantages in this, such as elasticity, self-government of industry by consent rather than coercion, avoidance of the danger of stifling new entrants into an industry, and of having to define exactly what any given industry may be held to cover. There are disadvantages, such as the refusal of some firms in an industry to co-operate, the lack of sanctions, the emergence of new firms which, for one reason or another, do not wish to co-operate but rather, in competition, to take advantage of the position built up by an integrated industry.
62. In our opinion, the future organization of industry should be decided by the industrialists, always subject to the over-riding principle that it must be in the national interest. The F.B.I. which has as its members all the important Trade Associations of the country, will consider this question as one of the important items of the reconstruction problem. The objective should be to ensure that each industry or, where necessary, section of an industry, should possess a Trade Association with clearly defined functions to suit its needs, and so organized as to be capable of their efficient performance. The F.B.I. will be prepared to continue and expand the activities it has undertaken in the past in connection with advising trades on questions of organization and helping them, when desired, to form Trade Associations or to develop existing ones.

The suggestion that the Trade Associations might be made compulsory should be particularly noted.

'A National Policy for Industry'

Statement put forward by a Group of 120 prominent Industrialists

Hardly less influential than the F.B.I. Report was the Statement published in November 1942 and signed by 120 industrialists, including many of those with the biggest positions in British



Skilled man and machine

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Indian Peasant, cattle-powered plough

industry. Among the signatories are Lord Melchett and Lord McGowan, of Imperial Chemical Industries, a combine of world significance.

It is interesting that the present Lord Melchett's father, formerly Sir Alfred Mond, was responsible for the talks with the T.U.C. in 1927, aimed at closer integration of labour and industry. To the founders of the great combine, industrial integration is the supreme virtue. According to Lord McGowan, the formation of the I.C.I. was based on the belief 'that only through more closely knit industrial entities, welding into one body existing competitive units, can British goods enlarge their world markets.' In the '30s an important group of British industrialists, headed by Lord Melchett, formed the Industrial Reorganization League. They introduced into Parliament a Bill providing for 'self-government in industry' which would 'enable redundant effort and uneconomic competition to be progressively eliminated' and would 'defend industry from the dislocating consequences of over-production, weak-selling, and the maladjustment of supply to estimated demand'. The main feature of the Bill is that by its provisions a majority of the producers in any industry could set up a strong organization with compulsory powers over any minority which opposed it. One can see, therefore, that for some years a strong group in industry has been campaigning for the sort of measures put forward in 'A National Policy for Industry'.

Many of the leading figures of the iron and steel industry are also signatories, as are prominent members of the highly integrated industry of electrical engineering. Mr. J. V. Rank, leading figure in the British flour milling industry, also signed the statement. The group goes somewhat further in its recommendations than the F.B.I., both on the labour side (which falls within the scope not of the F.B.I., but of the British Employers' Confederation) and in advocating self-government for industry, which would involve some sort of amalgamation or integration of the F.B.I. and B.E.C.

The signatories are strong believers in private enterprise:

'It is quite untrue to say that industry has followed a general policy of restricting production in order to enhance profits. The responsibility of those directing Industry is to hold a just balance between the varying interests of the public as consumers, the staff and workmen as employees, and the stockholders as investors, and to make the highest possible contribution to the well-being of the nation as a whole.

'. . . If industry is to meet all its responsibilities—to the nation, to the consumer, to the stockholder and to the employee—it can do so only by hard work and efficient performance.

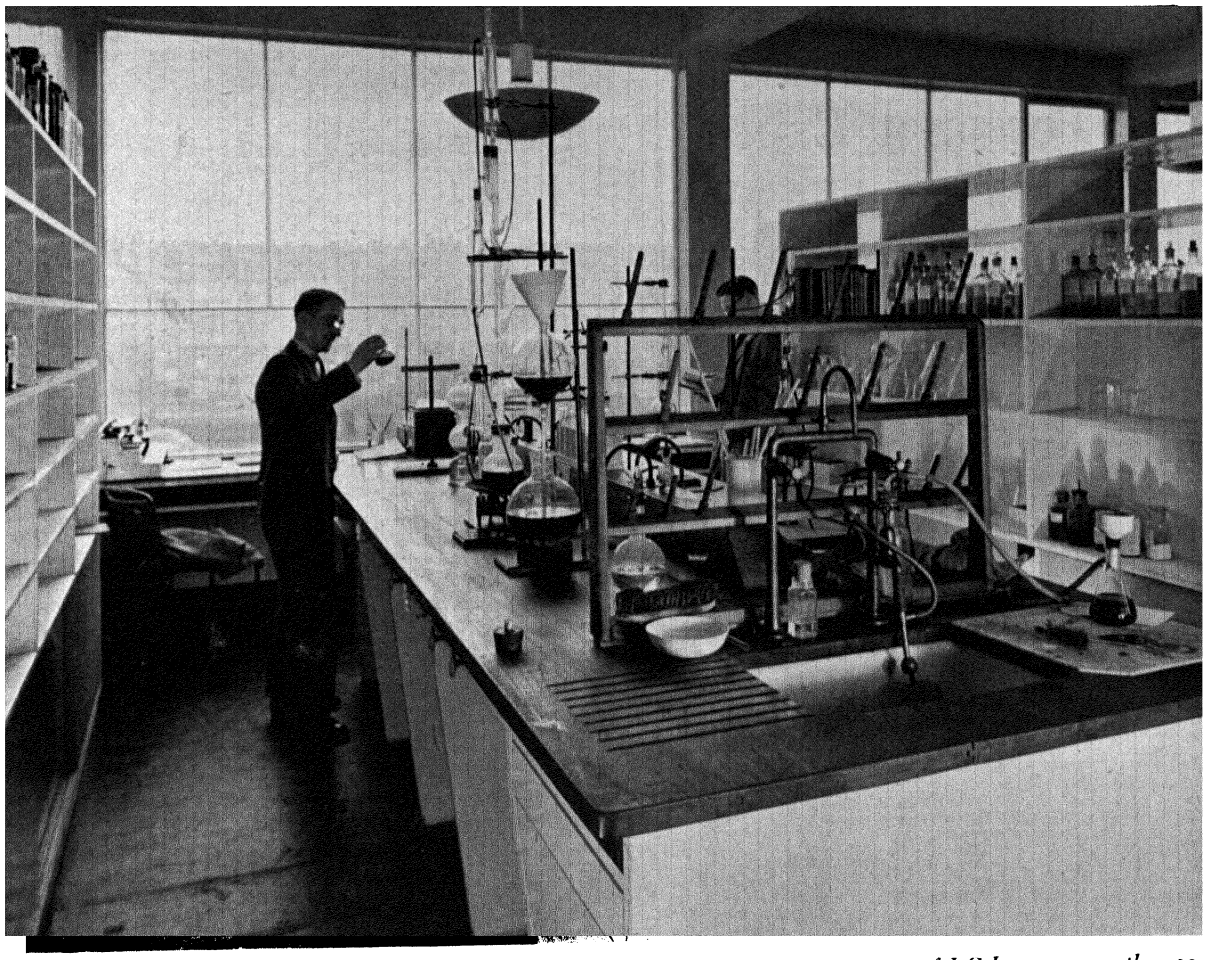
'. . . In our belief, it is a necessary condition of achieving such efficiency that the system of private enterprise should continue. The achievements of British Industry have been due, in large measure, to that system. We do not think that the profit motive should be eliminated from our industrial and trading system. It is a deeply engrained characteristic, is certainly not the least of the many incentives to good work and enterprise, and is common to all who derive their living from industry whatever position they may occupy in the industrial sphere. Any industrial system which left it altogether out of account would lose a vital part of its driving force. The motives of service and of profit are not mutually exclusive.'

Industry, says the statement, must recognize that 'the siting of works and factories is a matter of public as well as private concern' and must conform to Government regulations. 'There can be no return to the haphazard development of earlier days, involving as it did the disfigurement of the countryside, and industrial housing conditions which were no credit to the age.' As in the F.B.I. Report, so here it is stressed that industry must have adequate reserves. 'Before the dividend stage is reached, industry must be allowed to retain and place to reserve adequate profits to provide for expansion and improvement. An important point is made here, recalling one of the features of Nazi economy, the Institute of Public Accountants.

'In this connection the importance of ensuring that there is adequate disclosure and publication of the financial results of Industry, both through the accounts of Joint Stock Companies, Statutory Corporations, etc., and through classified statistics collected by the Government, must be stressed. Such disclosure and publication will not only centre public attention on the relevance of these distinctions; they will also serve to create confidence in the financial management of Industry and will dissipate any suggestion that "hidden profits" are being accumulated by industrial concerns to the detriment of the consumer and those who work for Industry.'

At some length the statement stresses 'the social obligations of industry'. To summarize:

(1) The authority of the Trade Unions should be strengthened within their own ranks and increasingly close collaboration achieved between them and management, so that they may, with a full sense of their joint responsibility to the public, examine problems affecting industry in relation to the community as a whole.



Research chemist at work in Laboratory of I.C.I., the great chemical combine. (Directors of I.C.I. are among the 120 industrialists)

(2) There should be a general adoption and extension of Works Councils and Production Committees.

(3) Industry should accept a 'code of duty' towards employees under which

(*a*) Workers should have full opportunities for promotion.

(*b*) There should be a minimum basic wage.

(*c*) To avoid unemployment, industry might be subsidized after consultation by the Government with the relevant Trade Associations.

(*d*) Sickness and disability allowances should be such as to free the recipient from want when incapacitated from these causes.

(*e*) Holidays with pay should be established throughout Industry.

(*f*) Reasonable hours of work should be agreed for all industrial workers according to the nature of their work and other relevant circumstances.

(*g*) 'We are in favour of a scheme of family allowances for children up to the school-leaving age.'

(*h*) State old-age pensions should be supplemented by pension schemes operated by private firms.

(*j*) 'We regard it as the ultimate duty of Industry to ensure that its own employees are properly housed on reasonable terms.'

(*k*) The school-leaving age should be raised to 16 and there should be part-time compulsory education up to the age of 18. Industry should give much more thought to schemes for industrial and vocational education, training and promotion, so that every employee with the requisite capacity may be able to fit himself for higher responsibilities.

Personal Expenditure on Consumption

1938

	£ million
FOOD	1198
CLOTHING	441
MAINTENANCE OF HOME	694
HOUSEHOLD GOODS	261
DRINK AND TOBACCO	452
TRAVEL AND MOTORING	296
OTHER GOODS AND SERVICES	693
	£4,035

Here we see how money was spent in 1938, under pre-war conditions. See page 31 for account of the Central Statistical Office, which worked out these figures. They are published in a Government White Paper (Analysis of the Sources of War Finance, etc. 1943. Cmd. 6438).

The statement goes on to describe the different ways in which industry can be organized, i.e. through small businesses, co-operatives, corporations like the London Passenger Transport Board. There is an interesting defence of large companies and combines:

'Industrial amalgamations are sometimes charged with abusing the strength of their position by retarding enterprise and invention, restricting production and either maintaining or raising prices unduly where price reductions are justified, thus exploiting the consumer instead of using their special efficiency to serve him. We do not deny that this is theoretically possible, but it would, however, be checked by public opinion and in addition would seldom pay, for in these industries cheap production and profitable working depend on large output. Properly administered amalgamations, commanding the services of technical, commercial and financial experts and consultants, provide in our view a more effective spur to efficiency than unchecked competition, which leads often to uneconomic investment and production and the final closing down of businesses through unprofitable trading, with all that this involves in displacement of labour. In general, industrial amalgamations have not taken unfair advantage of their position. When based on sound lines and well managed, they have been of great benefit to the consumer by using their larger financial resources to pursue an active research and development policy, thus enlarging business both at home and abroad. They have been able, by reason of their financial resources and technical efficiency, to put on the market a wide range of products in a way which could not have been done by small units, and at the same time to improve standards of wages and conditions of service and to facilitate the introduction of pensions and other schemes for the benefit of their workpeople.'

Trade Associations, says the statement, help to introduce a spirit of co-operation, but vary widely in their functions:

'It cannot be denied that Trade Associations can be operated merely for price maintenance, incidentally affording protection to the inefficient or high-cost producer, rather than for the general good. Such a policy must be unreservedly condemned as running counter to the prime duty of Industry, which is to

Typical traffic scene at a London Transport Bus Station. Before the setting up of the L.P.T.B., many transport firms competed for passenger traffic in London. Now Londoners travel by a traffic system run as a public utility corporation.

serve the consuming public, and must not be allowed to find a place in future industrial organization. It should always be the aim of Industry to maintain production and consumption at the highest possible level.'

We now come to the kernel of the matter, the proposed new organization for industry:

'It appears to us to be an essential condition of progress that the relations between firms, between different industries and between Industry as a whole and Government should be more fully and comprehensively organised in some form of permanent association. . . .'

To obtain this end,

(1) Industry should be classified into sections.
(2) Each section to set up an Association.
(3) These would either be adapted from existing Trade Associations or export groups, or completely new ones would be set up.
(4) The Associations would not be completely standardized but their main aims would be:
   (*a*) To promote the production of a maximum output at the lowest possible price consistent with the adequate remuneration of labour and capital.
   (*b*) To establish a great measure of collaboration, both within the trade and with other sections of Industry, in the interests of efficiency and therefore of service to the consumer.
   (*c*) To encourage such forms of industrial competition as are conducive to the public interest; conversely, to discourage wasteful and destructive competition.
   (*d*) To establish contact with any bodies representative of the consuming public or sections of it and to take account of any representations which may be made in regard to the quality or price of manufactured products or their methods of distribution.
   (*e*) To adopt standards of wages and conditions of service which pay full regard, so far as lies within their power, to Industry's aims as indicated in Section I. (Social Obligations of Industry.)
(5) There should also be a central Council of Industry, elected from the sectional Associations, to keep in touch with them and with the Trades Union Congress. It would also act on behalf of British industry on matters of international trade and would advise the Government when it thought legislation was needed.

Such a plan would have a limited usefulness only if a considerable number of firms did not join the Associations or did not conform with their decisions:

'It is necessary for this reason to consider whether, and if so to what extent, the associations and the councils should be given specific powers (of course within prescribed limits) to make regulations and to enforce decisions, and whether membership of associations should be made compulsory.'

If compulsory powers were granted, there would have to be safeguards. Parliament must retain the last word. The consuming public must be protected. The interests of small producers must not be swamped. As a Court of Appeal on these sort of questions, an Industrial Tribunal might be set up.

'The Problem of Unemployment'

A Paper published by Lever Bros. and Unilever Ltd

Two of the most important firms in British industry are not represented among the 120. One of them, Unilevers, has made a public statement of its own. The pamphlet called *The Problem of Unemployment*, which they published in January 1943, deals largely with proposals for avoiding alternate slumps and booms. It is suggested that the Government could stave off these violent fluctuations by using their control over money. At present, the pamphlet points out, when there is a slump the Government increases taxes and thus makes it more difficult for industry to expand at a time when it is only too ready to contract. Similarly, during a boom, taxes are less and industry has more money to invest on expansion, thus augmenting the boom. The Unilever pamphlet suggests that the Government's Budget ought to do exactly the opposite. It ought to relieve the burden of taxes during a slump and increase it during a boom. Thus the volume of investment would remain steadier.

Government control, in the view of the pamphlet, should be mainly confined to this method. The Government should not take part in the actual running of industry. Moreover, the compulsory organization of industry is undesirable. In the following passage, the spokesman of Unilever disagrees with the 'National Policy for Industry' very markedly:

Such a scheme is bound to have a freezing effect on the whole structure of economic life, and to favour the non-progressive elements so far as to endanger progress. It would create an atmosphere in which it would be easier to leave things as they were than to scrap the obsolete parts. The corporate organization

of economic life has nowhere been tested over a long period. Its application in practice has been limited to wartime (or war preparation) economics in totalitarian States. It has never proved its efficiency in the free atmosphere of a democratic country.

The ability of an organization of that kind to deal with major economic problems is, to say the least, open to doubt, nor can one safely assume that its constitution would make it suitable to consider long-term general interest without regard for the immediate wishes of its members. We feel very strongly that such a regimentation and compulsion of industry would be so alien to the national genius and abhorrent to the ordinary citizen as to be quite unacceptable and unworkable in this country. It would involve the placing of overwhelming powers in the hands of organized industry, and the public would sense in it the creation of an era of privilege, no matter what safeguards were introduced.

In the United States an even stronger view is held against any strengthening of the existing powers of combines and trade organizations.

'Money. State monetary control could help to stave off unemployment,' say the Unilever planners

'An Industrialist's Reflections on the Future Relations of Government and Industry'

An article by S. Courtauld in the Economic Journal, *April 1942*

At the beginning of his article, Mr. Courtauld says that the ideas it contains on the post-war reconstruction of industry 'are my personal opinions, and do not necessarily represent the official views of the Company with which I am associated.' All the same, these ideas have great weight, coming from the Chairman of Courtauld's Ltd. This important combine largely dominates the rayon industry. 'I believe,' he writes, 'that the time is ripe for a review of the principles and bases of industry, that my "progressive" views (for want of a better word, for I mistrust slogans) are shared by many business leaders, and that they are by no means confined to the younger generation.' He starts with six main assumptions:

(*a*) Production is the most vital activity of the nation.

(*b*) Government control has come to stay. With the growth and progressive combination of industries until their boundaries are practically co-terminous with those of the nation, it is the duty of the Government to take power to control them, for no Government can tolerate the existence within its borders of an organized and completely independent power with a radius of action as wide as its own. The same overriding principle should apply to Trade Unions as developed today. It follows from this that the Government must also 'plan' further industrial growth

(*c*) Government bureaucracy as it exists in this country has proved itself incapable of conducting business efficiently. If it is to take any part in the running of business, it must be reformed radically.

(*d*) Labour is going to share more and more in the management policy and rewards of industry. The Trade Unions will represent labour for a long time to come.

(*e*) Gambling in industrial counters is a malignant disease for industry itself.

(*f*) The English genius for social evolution and for compromise can find a middle way, between pure individualism and pure socialism, which will bring the greatest attainable good to the nation. This road will shift progressively in a direction which will leave more and more vested interests out in the cold. Unless the men in possession are prepared to adapt themselves and compromise, there is no alternative to a complete socialist revolution.

He thinks there is a good deal to be said for nationalizing transport. If the State takes over other industries, or claims an increasing control, it is likely to meet objections from industrialists. The less the Government really interferes, the less they will object.

'They have had such a disheartening experience of the dead hand of Whitehall during the past two years that they will be even more apprehensive on this score than they were before the war. On the other hand, they know that some form of Government control will be necessary in the post-war reconstruction period, and most of them think that it has come to stay whether they like it or not. I do not think, therefore, that there will be much obstructive opposition to the principle of control itself, but there will rightly be the greatest possible suspicion of the forms which it may take. If the Government, though armed with overriding control, did not in fact interfere with the day-to-day running of business any more than shareholders now do, I believe that the best business executives from the top down would not object to the change With the same proviso, some of them would not really object to Government ownership.'

Answering the question, 'Who should represent industry *vis-à-vis* the Government, he writes:

'If the State is to take a closer control of industry because this is a great national interest which cannot be allowed to go its own way unaided and unchallenged, the State must satisfy itself that the appointed representative bodies of industry do in fact represent it properly'

On the subject of Trade Unions, he writes:

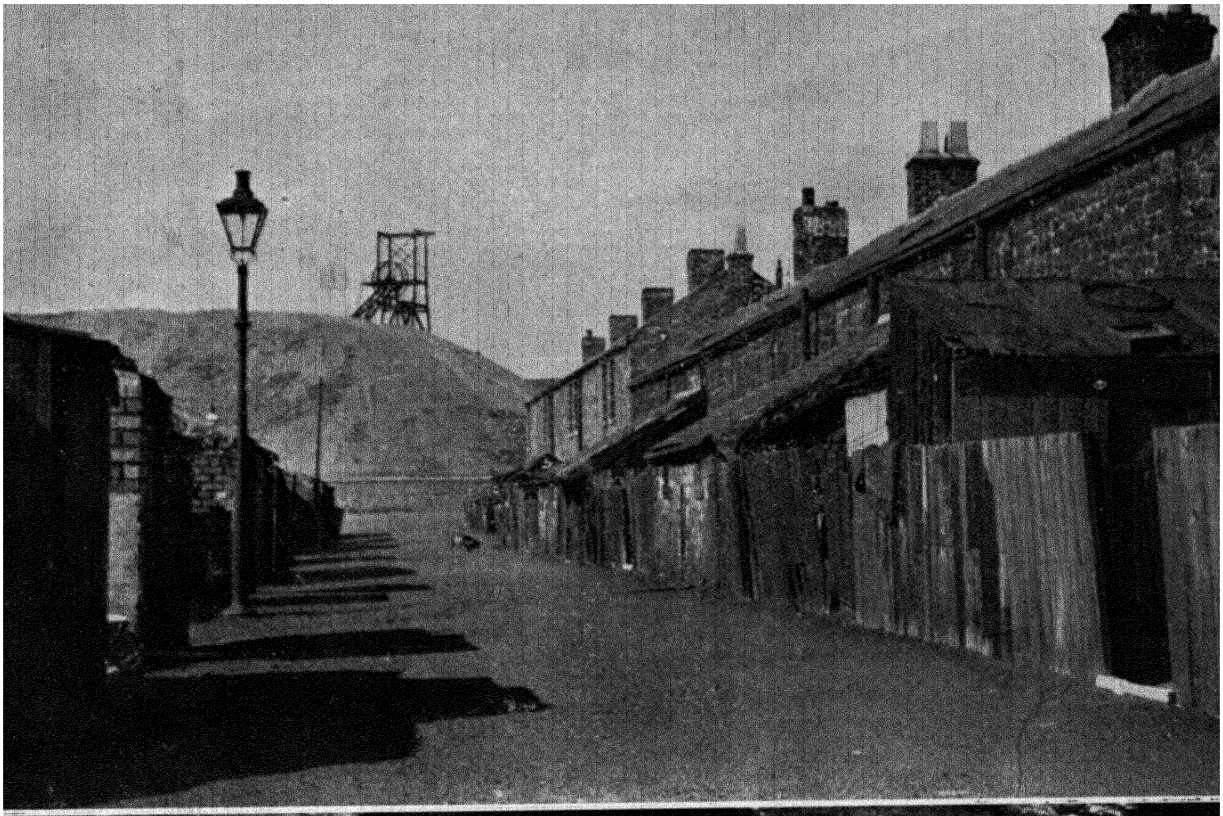
'Labour might be represented on the Boards of Companies as well as the Government. Things have already moved some way in this direction, and I doubt whether the younger generation of directors and managers would fear it much; they would be infinitely more suspicious of Whitehall bureaucracy.'

Workers should be told more about the finance of the undertakings they work for. They should have more liberal provision for old age and sickness. Like the Trade Associations, so the Trade Unions should be under Government control, 'though the Government need not step in unless the public interest is endangered.'

Among a great variety of other interesting suggestions, Mr. Courtauld thinks the Government should decide where new factories should be set up and should plan and control the intake of labour into industry. 'No business should be allowed to employ more juveniles than it can absorb later into its ranks of full-grown workers.'

Mr. Courtauld is highly critical of advertisers, salesmen and speculators.

Above: *Where he lives*
Below: *Where he works*



The National Capital in Great Britain

(1932-1934)

	£ million
LAND	620
FARMER'S CAPITAL	410
HOUSES AND BUILDINGS	4600
BRITISH AND FOREIGN GOVERNMENT SECURITIES	6480
OTHER DOMINION AND FOREIGN SECURITIES AND POSSESSIONS	1250
RAILWAYS IN GREAT BRITAIN	760
CAPITAL OF INDUSTRY, TRANSPORT COMMERCE AND FINANCE	7825
FURNITURE AND MOVABLE PROPERTY	725
PUBLIC PROPERTY	2890
TOTAL PRIVATE AND PUBLIC PROPERTY IN GREAT BRITAIN	£25,560

COMPARE

1926–28 £ million 24,570 1911–13 £ million 13,090

The source of these figures is H. Campion's 'Public and Private Property in Great Britain'—(Oxford 1939)

'Resources and Employment'

Article in the Times, *13 January 1943, by Sir Ralph Wedgwood*

The author of this article was General Manager of the L.N.E.R. for 20 years, and chairman of the Railway Executive Committee, 1939–41. He is also a past President of the British Employers' Confederation.

He asks if we cannot banish unemployment in peacetime, with sufficient knowledge of the facts and sufficient central control. There must be 'an international programme of world development on a lend-lease plan' with 'an international economic council . . . to watch the whole balance of trade.' He realizes that the make up of the bodies operating under the international economic council needs careful consideration:

'A peculiar weakness of such bodies is to prefer their own sectional interests to the general interest, which is predominantly that of the consumer; and this is not a matter of "capitalism" only. It is not remedied by seating the workers alongside with employers on the national control organization. The primary interest of both parties is still sectional. The general interest can only be assured by having at least three elements represented on the national controls—employers, employed, and consumers; and if the consumers' representation is to be effective, it must have the power of the Government behind it.

'Another weakness of industrial association is that, out of the natural desire to protect their members, they are too apt to shelter inefficiency. When it has been found necessary in the past to restrict production it has been too common to do this by an over-all percentage reduction of output, irrespective of production costs. This is not only uneconomic in itself, but is a direct discouragement of efficiency, whose quality it is to work on narrow margins. It would be death to economic progress if such a principle were tolerated, either nationally or internationally. When restriction is necessary it is the least efficient works which must be closed; when expansion is called for, it is the most efficient which must be extended. Cost of production is the acid test, and this is after all an accountancy question, capable of simple demonstration. The difficulty of such a problem lies elsewhere: in the national and individual interests which will fight for recognition at the expense of the common cause. If there is the will to win the peace these interests will lose the day; only on such terms can a régime of stable employment, lower costs, and increasing plenty be assured.'

Unemployed

INDUSTRY AND THE STATE

What the Government Intends

In the House of Commons on 21 October 1942, Ernest Bevin emphasized that as far as wages and conditions in industry were concerned, the machinery for negotiating between employers and trade unions, so carefully built up between the two wars, would continue:

'I hope I shall create such confidence in arbitration that, during the transitional period following the war, when our men will have to resettle, come back into industry and evolve their own policy—to which they are entitled after fighting—it will allow this resettlement to be carried out in an orderly and stable manner.'

'. . . We have promoted on both sides of industry a policy of self government in industry. There has been a gradual change over to what I think holds very great potentialities, namely, negotiations of a more representative character than the old method of bargaining before the war. . . . Our aim has been to allow the collective bargaining machinery to act as a sort of trustee on behalf of the State.'

But on broader questions of industrial policy, including the export trade, the Government is to play a more active part. In the debate on Reconstruction, Sir William Jowitt outlined the post-war position. Shortages of goods and high purchasing power in the post-war years would make rationing necessary if inflation was to be avoided, and therefore the Government must take control This shortage would make for several years of full production, giving us time to plan ahead. Our aim must be permanent full employment and therefore we should have to help to raise the standard of living all over the world to create consumers for our goods, especially in China, Russia and India.

'It is out of the question that all the measures of control which have been necessary to direct our whole national resources to the war effort, covering as they do every form of industry, man-power and raw material, can be immediately relaxed '

The amount and type of control will differ from one type of industry to another:

'We must survey the industries, industry by industry, because there is no one common problem that applies to all industries . . . In some cases, perhaps, we should run the industry as a national concern, using possibly the method of public corporation In other cases the system of unlimited free competition may serve us best. There are intermediate forms and types of structure between these two extremes So long as the consumer is adequately guarded and is not crushed between the upper and lower millstones, and so long as the absence of competition is not used as an excuse for and does not lead to inefficiency the Government will be ready to take part in these discussions '

The Government formula for post-war control of industry is here stated as a mixture of methods. Similarly, Sir Kingsley Wood, Chancellor of the Exchequer, on 2 February 1943:

'Our efforts may well take the form in certain cases of public enterprise, as the Home Secretary said recently, but there will still be the same need for enterprise and initiative and it must be given a fair chance '

Outside the House, Herbert Morrison, a member of the War Cabinet, has made a series of forceful speeches on the post-war problem At Swindon in December 1942·

'In the twentieth century with its inevitable trend towards centralized organization of big industry, private control has often tended towards a slowing down of men's hands and of their minds, while many of the most remarkable examples of enterprise which the world can show have been public—from Britain's Electricity Grid to America's T.V.A. and Russia's Dnieper Dam . . . .

'What, for instance, should we do with our natural monopolies; industries which cannot be carried on at all except on a monopoly basis? It may be that instead of leaving them in private hands, tied down and hedged about by a tangle of statutory restrictions or bureaucratic checks, we should get better national service from them if we turned them into public corporations like the Central Electricity Board, the London Passenger Transport Board, or, in another sphere, the B.B.C.

'Again, what should be done with industries which are not natural monopolies but have, by their growth and development in modern conditions come nearer and nearer to being monopolies in fact, through the operation of mergings and trade agreements or cartels, like the iron and steel or chemical industries? These are great basic industries on which national well-being in peace and safety in war directly depend. We can't leave them alone in their monopolistic glory—we don't want to turn Britain into a Corporative State and to adopt Fascism in its economic forms. The answer may be anything from a public corporation to some form of management under a board of directors with a nationally nominated chairman. The thing that

JOINT PRODUCTION COMMITTEE, *a new and war-winning factor in industrial democracy. On Committees like th illustrated, workers and management jointly discuss production questions.*

WAR PRODUCTION *has gained a new stimulus. Shall we apply the lesson when peace returns?*

matters is to secure in these large-scale basic industries a due measure of public guidance and public accountability—and these are not things that can be left to chance.'

And at Leeds in April 1943:

'A case can be made for private enterprise in appropriate fields. There is a very powerful case for public enterprise. There is no case whatever for private unenterprise, for private ownership and control without the spur either of a free market and free competition or of real social purpose.

'In the field of private productive effort security is a dangerous delusion— an industry which makes security its sole aim is a menace. Unless private enterprise is prepared to take risks which are its historic function, then private enterprise has no function.

'In the post-war world we may have to face the permanent shrinkage in the markets of some of our older industries. If central organization is necessary, whether for contraction, stability or expansion, the State must exercise genuine and effective control of it

'Monopolies are restrictive in their very essence. You will never alter their nature by patching and tinkering with them—their whole set-up and relation to the community must be profoundly altered.

'Public action may sometimes take the form of direct, unsubsidized competition by those Government plants with which the end of the war will leave us so plentifully provided. But in other instances I am convinced that the only answer consistent with national well-being is full and effective public control.'

As long ago as April 1942, Mr. Lyttelton, Minister of Production, said in a postscript on the B.B.C.:

'I am a business man, or rather I *was* a business man, and I suppose by definition I am a capitalist. But if anybody asked me whether there should be more socialism or more capitalism, more Government planning or more free enterprise, my answer is that there ought to be a great deal more of both. The essence of democracy should be a balance between the organizing power of the State and the driving force of the free individual

It is interesting that Mr. Lyttelton and Mr. Morrison should strike so similar a note. There is a rather different emphasis in a speech by Mr Assheton, Financial Secretary to the Treasury·

'It would be a sorry thing for Englishmen to find that they had conquered the foreign foe, only to find their freedom taken away from them by an excess of State interference and bureaucratic control at home '

Uttering a word of caution against State planning, which he said was not always wise, Mr. Assheton described it as leading to the evils of tyranny, bureaucracy and monopoly

On Sunday, March 21, 1943, the Prime Minister, Mr Churchill, in a broadcast speech said that he was 'very much attracted to the idea that we should make and proclaim what might be called a four years plan.' This speech, though again made outside Parliament, is the most comprehensive and important statement yet made on post-war reconstruction, and it comes from the highest possible source. The following are the passages most relevant to our discussion:

'Four years seems to me to be the right length for the period of transition which will follow the downfall of Hitler. We have five-year Parliaments, and a four-years plan would give time for the preparation of a second plan. This four-years plan would cover five or six large measures of a practical character which must all have been the subject of prolonged, careful, energetic preparation beforehand and which fit together into a general scheme.

'When this plan has been shaped it will have to be presented to the country, either by a National Government formally representative, as this one is, of the three parties in the State, or by a National Government comprising the best men in all parties who are willing to serve

'I cannot tell how these matters will settle themselves, but by 1944 our present Parliament will have lived nine years, and by 1945 ten years, and as soon as the defeat of Germany has removed the danger now at our throats, and the register can be compiled and other necessary arrangements made, a new House of Commons must be freely chosen by the whole electorate, including, of course, the armed forces wherever they may be.

'Thus whoever is burdened with the responsibility of conducting affairs will have a clear policy and will be able to speak and act at least in the name of an effective and resolute majority.'

In his Four-Years Plan, he comprehended social insurance, agriculture, health, education, religion, housing, finance: his answer to our question 'Who is going to run industry after the war?' was summed up in these words:

'If you take a single year of peace and take a slice through the industry and enterprise of the nation you will find work which is being done at the moment, work that is being planned for the next year, and projects for the third, fourth, and even fifth year ahead which are all maturing. War cuts down all this forward planning and everything is subordinated to the struggle for national existence.

'Thus when peace came suddenly, as it did last time, there were no long carefully prepared plans for the future. That was one of the main reasons why at the end of the last war, after a momentary recovery, we fell into a dreadful trough of unemployment. We must not be caught again that way.

'It is, therefore, necessary to make sure that we have projects for the future employment of the people and the forward movement of our industries carefully foreseen, and, secondly, that private enterprise and State enterprise are both liable to play their parts to the utmost.

'A number of measures are being and will be prepared which will enable the Government to exercise a restraining influence upon development which can be turned on or off as circumstances require. There is a broadening field for State ownership and enterprise, especially in relation to monopolies of all kinds. The modern State will increasingly concern itself with the economic well-being of the nation, but it is all the more vital to revive at the earliest moment a widespread, healthy, and vigorous private enterprise without which we shall never be able to provide in the years when it is needed the employment for our soldiers, sailors and airmen to which they are entitled after their duty has been done.'

'I have tried', said Mr. Churchill, 'to learn from events and also from my own mistakes, and I tell you my solemn belief, which is that if we act with comradeship and loyalty to our country and to one another, and if we can make State enterprise and free enterprise both serve national interests and pull the national wagon side by side, then there is no need for us to run into that horrible devastating slump or into that squalid period of bickering and confusion which mocked and squandered the hard-won victory which we gained a quarter of a century ago.'

What the Government has done so far

The first essential for planning is adequate information, and here a good beginning has been made. Sir Kingsley Wood told the House of Commons:

'I would like to say, on behalf of the Government generally, that it will be one of our objects after the war to see that the nation, to the greatest extent possible, has up-to-date statistical information; this, I believe, will be of great assistance in connection with our economic and financial policy.'

The creation of a Central Statistical Office and the first detailed analysis of the National Income are an excellent foundation for post-war development here.

Within different Government Departments machinery is being set up to deal with special branches of industry. To deal with the planning of industry as a whole there are now two bodies. The first of these is under Sir William Jowitt, and is designed to cover all reconstruction problems. He described it in the following words:

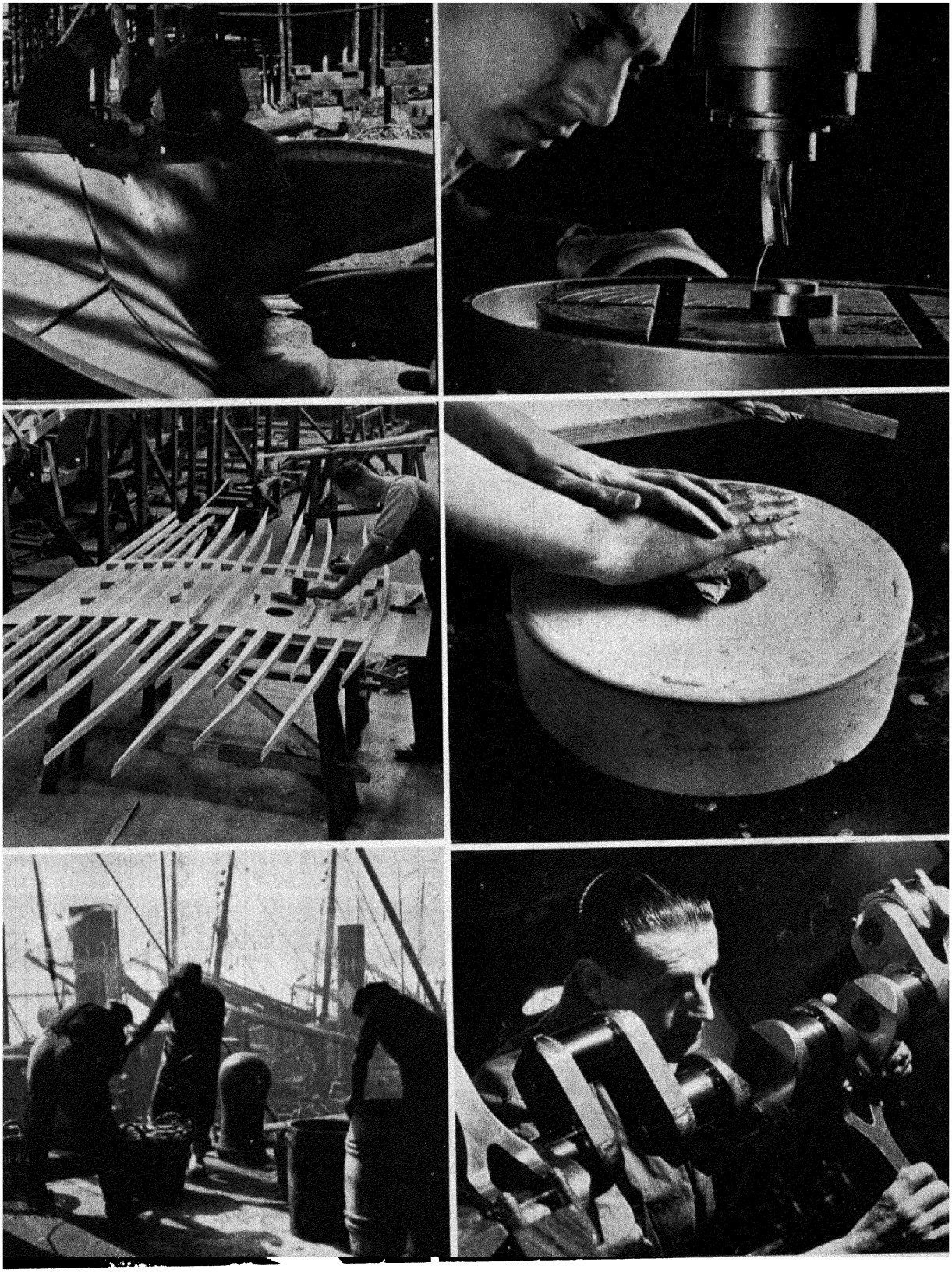
'. . . it was thought desirable that there should be a Minister standing a little apart from the immediate conflict who could consider all post-war problems as a whole before those problems become actual problems of day-to-day government. . . . I am, therefore, head of an organization which co-ordinates the views and anticipations of Departments about-post-war problems. . . I preside over a Ministerial Committee. We try to work out practical schemes of reconstruction to which effect can be given in the first few years after the war. . . .'

'. . . I am myself about to engage in discussions with the representatives of Industry and the Trades Union Congress. . . . No, we have taken no decisions with regard to any particular industry at the present time. We want, before we do so, to hear very clearly what the industries want, how best we can help them. They are studying their own problems and they are likely to be able to judge their own problems better than we are.'

The other body, under Mr. Hugh Dalton at the Board of Trade, is also at the consultation stage. Mr. Dalton said:

'I have made arrangements for the intensified study of post-war problems. Consultations are now going forward systematically. . . . I have instituted a series of consultations in which I myself have already met representatives of the Association of British Chambers of Commerce and of the Federation of British Industries and of officers of the Trades Union Congress. I hope shortly to meet either the full General Council of the T.U.C. or a sub-committee thereof . . . and I have also invited to meet me representatives of the Parliamentary Committee of the Co-operative Congress, of the National Union of Manufacturers and of the British Employers' Confederation, and I hope, having had these series of consultations, with these national bodies, to be able to draw up a plan particularly embodying points that are common ground as between them and to pursue further with them a closer study of problems which emerge upon the national plane as distinct from the plane of individual industry.

'I have made it clear to all concerned, that before any important decision is taken by the Board of Trade, arrangements will be made with the Trade Unions concerned. I have suggested to the trade associations that some of these questions—although I leave procedure to them—might be discussed through any joint machinery which may exist within their industry.'



HANDS AT WORK

TOP: *Shipbuilding, Metal* CENTRE: *Wood, Pottery* BOTTOM: *Fish, Motor Engineering*

Both Ministers mention the Committee on the Post-War Export Trade, whose chairman is Secretary to the Department of Overseas Trade. This Committee has collected much useful material on special problems of restarting the export trade after the war. It has had discussions with some 52 industries, representing more than 50 per cent. of our export trade in terms of value, including cotton and motor vehicles, while another 36 industries have been approached.

The keynote of the present stage is consultation with the major interests. We can gauge the response of industry from the statements by industrialists given in the preceding section. The Trade Unions have not made their views known in public to the same extent. We can get some idea of what they are thinking from the section that follows.

INDUSTRY AND THE TRADE UNIONS

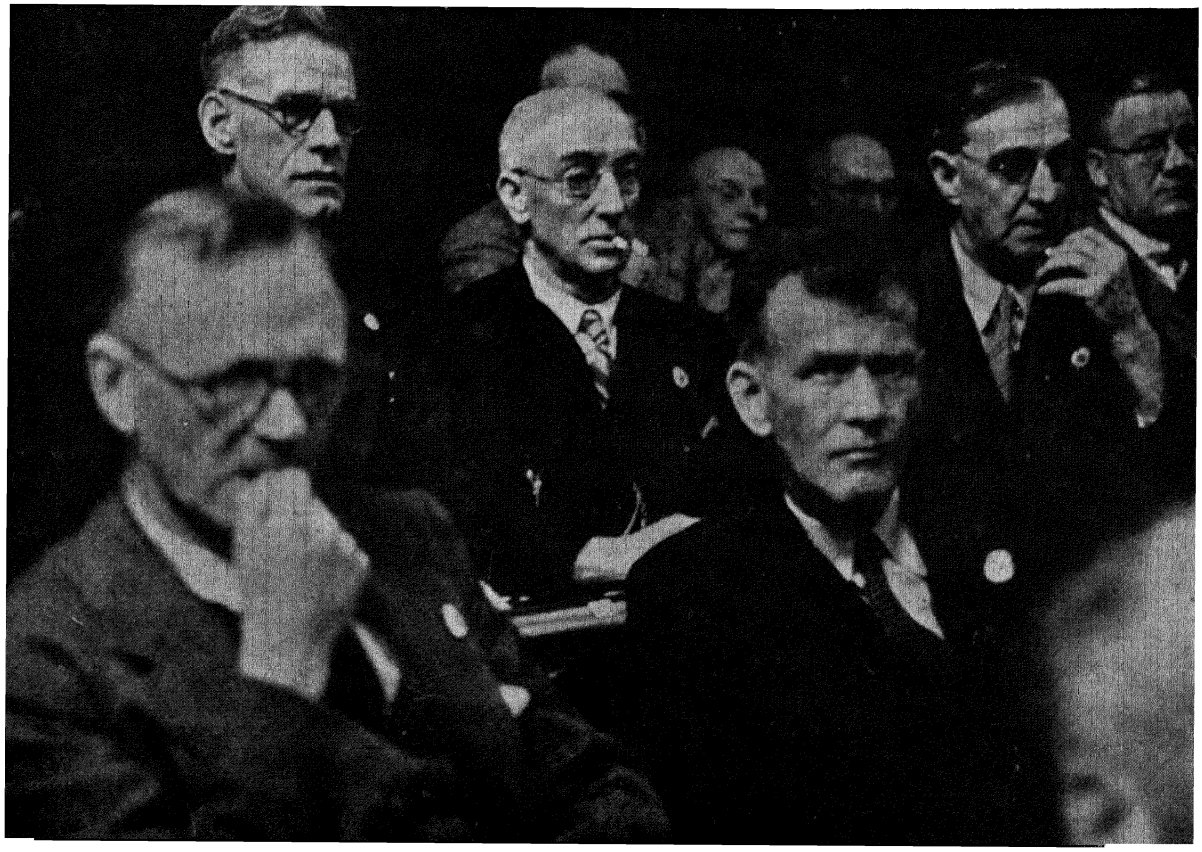
Since the failure of the General Strike and since Sir Walter Citrine became General Secretary of the T.U.C., the latter highly important body has pursued a consistent policy, backed by a majority of the Unions. This is a policy of welcoming discussion with organized employers, not only about wages but about industrial questions as a whole. The war has strengthened this policy, by bringing the discussions between the two sides into the pattern of war-time Government.

It is not inconceivable, therefore, that the T.U.C. has discussed the kind of projects for a centralized control of industry put forward by the F.B.I. and the 120 industrialists. They have not, however, committed themselves to a public statement. Evidence of official T.U. opinion on these schemes is rather scanty, but the following extracts from three T.U. journals appearing in December 1942 are a useful indication.

The *London Typographical Journal* commented as follows on the proposals of the '120':

'Our initial challenge to this group must be . . . a challenge to its assumption that industry can effectively discharge its obligations to the community if it continues under private control. We hold as a

Delegates of Transport and General Workers' Union at Trades Union Congress, 1941



demonstrable fact that the profit incentive, the price system, and the capitalist method of financing productive enterprise exercise a strangulating influence, and this stranglehold must be broken. We fear that the practical proposals made by this group are in the last analysis proposals by which the effete and outmoded system of capitalist enterprise will obtain another lease of life.

'Having said this we are free to recognize that this group of industrialists take a considerably more enlightened view of the responsibilities of the owners of Industry than they would have taken perhaps if the war had not shaken everybody out of their groove. . . .'

The A.E.U. (Amalgamated Engineering Union) journal also notes that the 120 are independent of the F.B.I. and B.E.C. It approves the reforms suggested by the 120 as the 'social obligations of industry' and goes on:

'We take exception to none of these proposals. But there is a section in the memorandum, dealing with the closer organization of industry, which raises questions of a fundamental character. Upon them agreement is not so easy.

'This section lays down the principle that the relations between firms, between different industries and between industry as a whole and government, should be more fully and comprehensively organized in some form of permanent association. From that proposition we do not dissent. In fact, we believe that the relationships which have been developed in the course of the war, between the unions and the employers on the one hand, and the Government Departments and responsible Ministers on the other hand, afford a foundation upon which "some form of permanent association" can be based.

'Undoubtedly these proposals will tighten up industrial organization on the employer's side. There is a danger in that. Does it not tend in the direction of a corporatist form of industry? We are frankly anxious about such trends. Instead of a democratic industrial order we may be moving towards a form of State Capitalism.'

Finally, the *Transport and General Workers' Record*, in an article by Arthur Deakin, acting as General Secretary in the absence of Mr. Bevin, comes to much the same conclusion:

''The closer organization of industry mentioned in the plan proposes the setting up of a Central Council of Industry, representative of the whole of industry, in which very little or no provision is suggested by way of attaching the Trade Union Movement to the new organization, beyond an obscure reference to maintaining contact with the Trades Union Congress. On the sectional, or sub-divisional associations, it would appear that the thought has not occurred to the authors of the Report that the trade unions have an interest.

'In regard to that very important section of productive enterprise—Labour—I am sure there will be a definite reaction against a plan of this character. Is it to be supposed that those advocates of State ownership in the Trade Union and Labour Movement, who have put their claim forward for so long, would accept such an idea of reconstruction as meeting their idea of economic power? Personally, I think not. I cannot imagine our people, who have been advocating the socialization of the transport industry, or our dockers, who have been removed from the horrors of casual employment under private enterprise, falling over themselves to accept proposals which would have as their prime object the overthrow of the form of public utility control now in operation.

'In fact, many sections of industry coming within the ambit of our own Union are looking forward to the operation, in the post-war world, of a measure of reconstruction based on State control.'

The gist of these opinions is that the 'National Policy for Industry' does not give sufficient influence either to the Trade Unions or to the State.

If asked to state their own view-point on post-war control of industry, the leaders of the Trade Union movement could legitimately point out that they were already working out a solution to these problems in the early 'thirties. Trade Union Congresses, from 1932 to 1936, were considering detailed schemes for the nationalization of iron and steel, cotton and coal. Since 1936, these discussions have been overshadowed by international events.

In 1942, the Labour Party issued an interim report, 'The Old World and the New Society', which, while a very general document, made a strong plea for nationalization:

''The Labour Party urges that the nation must own and operate the essential instruments of production: their power over our lives is too great for them to be left in private hands. This common ownership does not commit us to a regimented bureaucracy. It means, on the one hand, that the technical expert has his proper place in the direction of economic affairs, and, on the other, that the skill and experience of the workers are fully utilized in all branches of administration and management.'

Alongside the policy of national ownership, goes on the report, 'we must pursue a programme which aims at full employment during the change-over from a wartime to a peacetime economy.' Such a programme 'will prevent the exploitation in certain industries of the smaller, but often efficient manufacturers by the great monopolies.'

The Fabian Society issued a pamphlet as a pendent or sequel to the Labour Party report. This supports the idea of a mixed economy, under which 'there would be no immediate or imperative need for extensive nationalization of the majority of industries.' Instead, the State would control the supply of capital and of credit for production; land, for both industrial and agricultural uses; import and export trade; transport, fuel and power.

Common Wealth, a recently formed political group, also advocates a mixed economy, but with a different mixture. All large-scale enterprises would be nationalized, leaving untouched 'the thousands and thousands of small-scale enterprises, one-man and family businesses'. They believe that 'the position of the small man will be less insecure' when the State takes over the large enterprises ' than it is today under the shadow of Giant Capitalism.'

The Socialist Vanguard Group is one of a number of groups which support the Labour Party. In its journal, *Socialist Commentary* (March 1943) Allen Flanders writes:

'It is not without great uneasiness that we note how at present the initiative in proposing measures to avoid post-war unemployment is being taken by the other side. It is reported that at the Congress promoted by the National Association of Manufacturers in U.S.A., where some 4,000 industrialists met to discuss the War and the future of American business after the War, the shipbuilding magnate, Mr. Henry J. Kaiser, told his fellow businessmen that "their only way to beat the planners was to do some planning themselves on a big and audacious scale." (*Times*, 6 January 1943.) It would seem that their British counterparts are already acting upon this precept. Although only yesterday the Tory Press was insisting that our job was to win the War and not to talk about reconstruction (as if these were incompatible) the air is now thick with memoranda and proposals emanating from capitalist sources. Some, like those of the F.B.I. and the 120 Industrialists, foreshadow the Corporate State. Others, of which the recent report on "The Problem of Unemployment", issued by the Unilever Combine is a striking example, put forward measures of genuine reform. It is in no spirit of carping criticism but with real concern that we ask: How long have we to wait before Labour's voice is heard? Of the Trades Union Congress, all that is known is that the General Council decided to set up a joint committee with the F.B.I. and the British Employers' Confederation to consider post-war problems with a view to making joint representations to the Minister of Reconstruction. That piece of news which made us gasp with astonishment in November has still to receive further elucidation. The Labour Party has so far produced nothing since the Interin Report, which formed only a very general introduction to the problems of reconstruction and has left no deep impression on the minds of members of the Party, let alone the public.'

COMMENTS AND CRITICISMS

The Times

The various plans and statements of the industrialists have been widely discussed in newspapers, periodicals and pamphlets. We can only pick out a few of the comments, representing widely differing points of view.

Prominent in the discussion has been the *Times*. In a number of striking articles, this paper has taken a radical view of post-war problems. It has gone further than the Government, further perhaps than the majority of its readers would be prepared to follow. But it is playing a big part in re-moulding Conservative opinion.

When the 120 published their statement, the *Times* described it as 'a welcome endeavour to outline an answer to great questions' but found it 'a serious short coming that there is no real discussion of the relation of industry to the State.' The article (11 November 1942) goes on:

'It may be asked whether private enterprise retains its essential character and advantages once it becomes subject to the control of associations, particularly when price competition ceases to be an effective factor. The statement appears to recognize the necessity of shielding small firms from the domination of their larger partners, but does not sufficiently indicate how this is to be done. Nor is any effective machinery proposed for the safeguarding of consumer interests. Trade associations make producers, acting collectively, extremely powerful either for good or for ill, and stringent precautions are necessary if the good is to prevail. The suggested central council of industry, especially if it should be able to act in conjunction with the Trades Union Congress, might easily become a body strong enough in its sphere to challenge the authority of Parliament.'

In a special article on 'Private Enterprise' (18 September 1942) a correspondent was critical of the basic ideas of the industrial planners:

'Once more there is a revival of proposals for self-government in industry. Let the cotton firms, for example, it is said, come together and agree to regulate their own industry, to fix prices and wages, to set quotas, and generally to plan the industry. Or, a more liberal variant, let the trade unions and employers together set up a committee to govern the industry.

'These are attractive proposals. They appeal to that within us which believes that co-operation is better than competition, and planning better than anarchy. But we must not be misled by specious phrases. Social control means something more than subjecting the individual business man to a committee of his fellows It means that the framework within which an industry shall operate must not be set by itself. Self-government strengthens sectional interests, and permits them to set their own framework; even where it provides for monopoly gains to be shared equally between organized labour and organized capital, it is the enemy, not the embryo, of social control.'

Next day, in another leader, the *Times* clearly stated its viewpoint on monopoly:

'If the clock cannot be turned back, if industries and trades cannot be prevented, and should not be prevented, from organizing themselves to regulate the conditions under which they operate or from forming for this purpose monopolistic groups and combines, the question inevitably arises whether so much power over the lives and fortunes of others can be left unconditionally in private hands. It is a sound principle that, whenever competition is ousted by monopoly, the monopoly must come under Government control—though certainly not under Government management—either through a public utility corporation or by other means appropriate to the differing circumstances of different businesses. The same principle must be invoked for associations, which without being actual monopolies, yet regulate conditions in whole industries and trades, and largely eliminate competition. These issues need much more careful consideration than has yet been given to them if the growth of monopoly is not to be allowed to disrupt the social fabric, and if diverging sectional interests are to be reconciled and brought into line with the interests of the whole community.'

The Daily Worker

The Communist newspaper, which was suppressed earlier in the war, has since its reappearance stressed the need for national unity for winning the war. But it has remained vigilantly suspicious

about the post-war plans of industry. As an outspoken left-wing criticism of the policy of the 120, we quote from J. R. Campbell's article in the *Daily Worker*, 25 November 1942:

'Last summer General Ritchie saw what he thought was a promising gap in Rommel's defences and dashed at it with the bulk of his armoured forces. Alas! it was a carefully baited trap and the British Army sustained a heavy defeat.

'The trade unions of Britain are now being invited by 120 leading industrialists in a statement on "A National Policy for Industry" to walk into a similar trap.

'The 120 signatories are prominent on the boards of leading large-scale business enterprises, ranging from the Imperial Chemical Industries which recognizes the trade unions, through J. and P. Coats, the great cotton thread combine, the bulk of whose employees are unorganized, to Ford Motors, who refuse to recognize any trade unions whatsoever.

'Their bait for the unions is the advocacy of a "code of obligations towards employees" as a first charge on industry. This includes:

(1) Recognition of trade unions, works councils and production committees;
(2) A minimum basic wage;
(3) Holidays with pay;
(4) Family allowances;
(5) Pensions for employees to be paid by the employers supplementing the State old-age pension;
(6) Housing reform; and
(7) Educational reform.

'In fact the industrialists propose to surrender to the workers social territory from which they could not very well exclude them anyhow.

* * * * *

'In return for this concession of what they cannot withhold, the employers hope to trap the unions into supporting the organization of all industry in a series of powerful monopolies which will be linked together in a Central Council for Industry.

'Naturally, the industrialists disclaim any selfish intention to restrict output and keep up prices in the interests of the powerful groups who will control these monopolies. They want "the lowest possible price consistent with the adequate remuneration of labour and capital", which is a monopolist's stock formula.

'But they strongly object to "uneconomic investment and production", insist on the "discouragement of wasteful and destructive competition", and declare that State compulsion may be necessary to force recalcitrant firms into the proposed industrial monopolies.

'They admit, however, that "trade associations can be operated merely for price maintenance, incidentally affording protection to the inefficient or high cost producer rather than for the general good", and do not give one good reason why their new "sectional associations" (as they call their proposed industrial monopolies) will not act precisely in this way.

* * * * *

'The bait is, however, not too unattractive from the trade union point of view.

'After all, the Government has subsidized certain industries, and permitted others to increase prices, in order to enable wages to be raised. Why should not the unions co-operate with the employers in particular industries to get as much as possible from the common pool? The more they get, some short-sighted people will argue, the higher wages they will be able to pay.

'A dangerous trap and one destructive of working-class solidarity. A single monopoly in a sea of unorganized industries may make special gains at the expense of the rest and dole out a few extra crumbs to its employees. But if every industry tries to operate a policy of monopoly and restriction of output, the only result is high prices, stubborn mass unemployment, the undermining of trade unionism, the drive for foreign markets and war.

'To accept such a policy is to disrupt the labour movement, for illusory sectional advantages.

'It is no good the industrialists telling us that they are out for monopolies that will serve the worker and the consumer as well as the big shareholder. You cannot expect groups animated by the drive for profit to behave with this incredible philanthropy. Since 1939 we have been struggling to release production from the strangleholds of pre-war British trade associations. We would be committing industrial suicide if after the war we embarked on a policy of perfecting monopoly and strengthened strangleholds.

'For the unions to co-operate with big business in this shameful racket would be to lose the sympathy of vast numbers of middle-class people who can be won for the struggle against monopoly.'

The Economist

This weekly journal has a place all its own in the forming of opinion. Like *The Times*, it is probably more radical than many of its readers. At the same time, it is the most widely read paper of its kind among public men, business men and, in general, those concerned with the problems of industry.

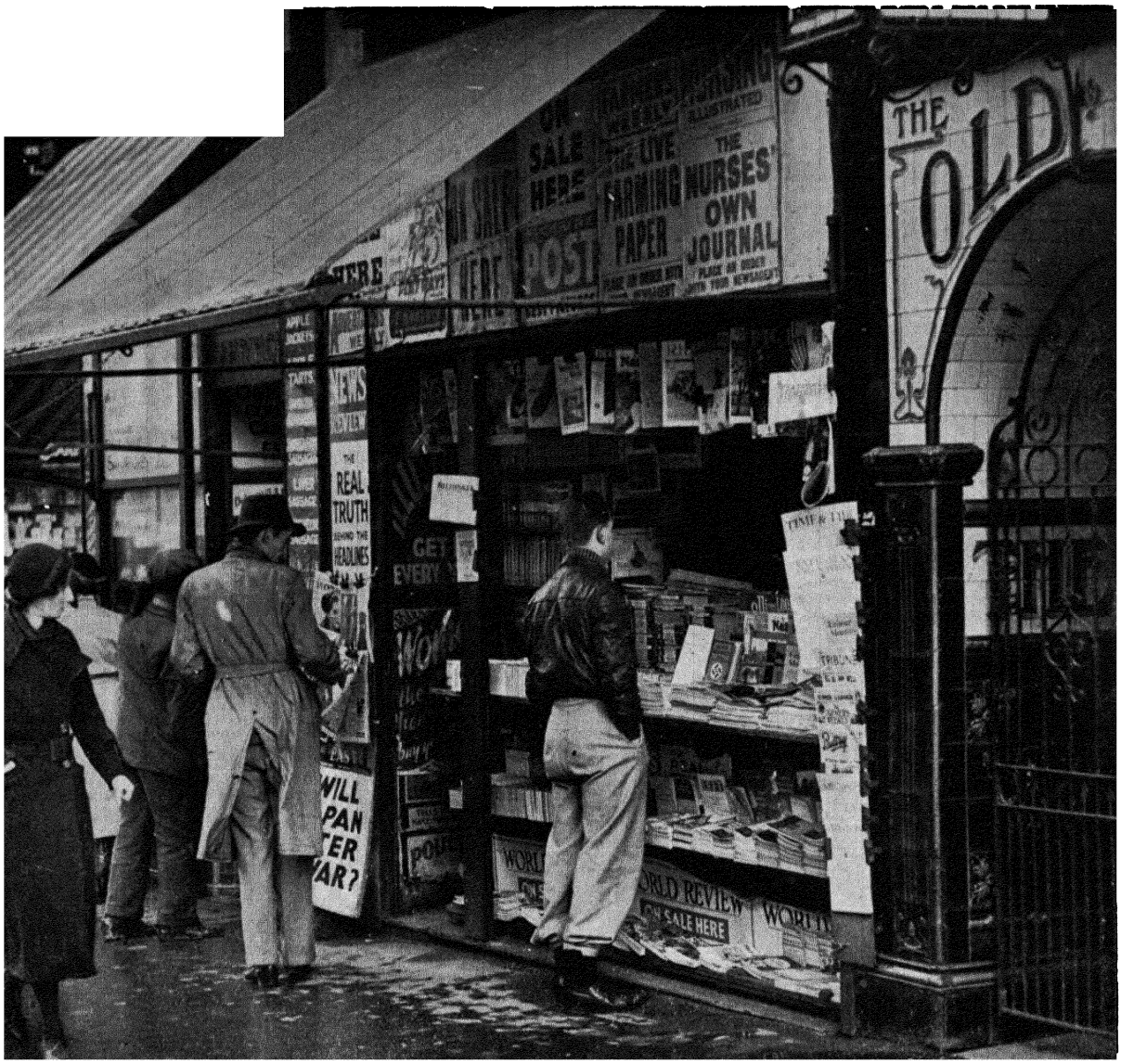
The *Economist* has long been campaigning against the growth of centralized monopoly power. The following extracts illustrate its point of view:

'The British economy was already, before the war, moving with ominous rapidity towards a state of monopoly or near-monopoly. This was the solution found by the dominant section of the Tory party for the problem of discovering a middle course between *laisser faire* and socialism Indeed, it was only natural that what had become a businessman's party should turn to businessman's economics What is more surprising is that so few voices have been raised to protest against the damage done to the public interest by a policy which parcelled out the national economy into a number of exclusive baronies The Brummagem system that has grown up since 1931 might almost be called that of the Corporative State, save that it has lacked the firm supervision of an energetic State administration It is a system that is intended to be strong in its parts, weak at the centre; the best name for it is Economic Feudalism.

'This system was already enough of a threat to the roots of British prosperity before the wartime controls gave it an obvious and immense impetus. Even a wholly self-supporting economy will produce less wealth for its citizens to consume if its producers are allowed to follow the slogan of High Profits and Small Turnover than if some external force, either of competition or of State control, forces them to maximize output. But in the case of the British economy the effects may well be disastrous. This island, with its present population, depends absolutely on being able to import raw materials and foodstuffs In paying for these imports, it now has no natural advantages except the ability of its industrial population to turn raw material into manufactures that can sell in competition. Now it is a silly delusion to suppose that producers, either individually or collectively, can be put into the position of monopolists without acting as monopolists and there is a great deal of evidence from the 1930's that this was, in fact, the consequence of the policy pursued. As it happened, however, the effects were hidden by the accident that the decade coincided with a substantial movement of the terms of trade in Great Britain's favour. The relative movement of prices made it possible for the necessary quantity of imports to be paid for by a smaller quantity of exports and a veil was drawn over the uncomfortable fact that, if more had had to be paid for the imports, it would probably have been impossible to do so. The worldwide crisis of the primary producers fostered, in Great Britain, the delusion that a deliberate high-cost policy would not impede the progress of the standard of living. This temporary and accidental good fortune will, in all probability, desert the country after the war. The British economy, deprived of its foreign assets and reserves, will be exposed to the cold winds of a world in which primary producers will be organized, while innumerable competing manufacturers will have sprung up. And to face this situation the country will be bequeathed by the wartime controls an industry which will have almost forgotten what low costs or competing prices are, an industry entirely wedded to high-cost "stability". The prospect is frightening —*Leading article*, 28 March 1942

'Three reports by business bodies on reconstruction have just appeared. Together they represent the views and interests of a deep cross-section of trade and industry. The Association of British Chambers of Commerce represents over a hundred chambers; the London Chamber of Commerce has a direct membership of 9,000 firms and companies; the Federation of British Industries includes 182 trade associations covering most of the main industries. The reports are at once encouraging and depressing, encouraging because their writers show a longing to look forward, depressing because in fact they show a standing inability to look any way but backward. When they call for new methods and positive policies, for international co-operation between Britain and the United States and between primary and industrial producers, for a fuller flow of international lending to develop the backward regions of Asia, Africa and America, and for the payment of world debts in goods, they show a courage and a faith which, unhappily, their actual proposals belie. When they plead that "the theories and practices of the past can no longer be taken for granted", when they recognize the rôle of monetary policy and of State investment in securing full employment in the future, and surrender entirely the old idea that retrenchment is the only remedy for idle factories and idle men, they suggest an enlightenment which the programme they lay down unfortunately does not bear out. If these are really their convictions, then they have not the courage of them.

'In both trade policy and industrial policy, it is precisely the theories and practices of the past that these business men tend to go back to, not the best theories and practices of an enterprising past, but the worst theories and practices of a restrictive past. The only solution the Federation of British Industries seriously entertain for the solution of Britain's overseas trade problems is a system of bilateral barter. At home, the



From outlets like this, opinion-forming matter goes out in a steady stream

Federation, after proclaiming that individual effort and private enterprise are the keystones of business, goes on to ask for authorized trade associations to regulate trading, to control sales, to demark territory, to control materials, to coerce interlopers and, no doubt, to fix prices. The Association of British Chambers of Commerce, too, having announced that a system of private enterprise provides the greatest of all motive powers to progress and prosperity, lays down that every industry, organized on trade association lines, should be its own planner; that Government policy should be inspired and directed by a Council of Industry; and that overseas trade should be regulated and made orderly by an Import and Export Council of traders and industrialists.

'There is the paradox. On the one hand, these documents make a notable plea for freedom and expansion. On the other hand, they paint a picture of control, restraint and restriction, both at home and abroad, a picture of national and industrial autarky and of self-rule by vested interests. They ask for a brave new world, and they advise the retension of a corporative and monopolistic system. This is economic defeatism of the same kind as the political defeatism which is prepared, in too many quarters, to abandon the parliamentary system because of the shortcomings of particular parliaments. They are part and parcel of the same tired, disillusioned, frustrated attitude which has ushered in Fascism in other countries. . . .

'. . . Hardly once do these reports from British industry mention the need for greater technical efficiency, either in Britain or abroad; the need for more output per head, or the development of new techniques and industries. They assume the worst. They forecast a Britain brooding like an aged miser in the twilight over a dwindling treasure.'—*Leading article*, 6 June 1942.

The Society of Individualists

This society was recently formed in opposition to State planning. The following extracts from 'Free Markets or Monopoly' by Francis Hirst, a prominent member of the Society, are quoted in its 'Digest on Post-war questions' (p. 23):

'Economic liberty and freedom of exchange are central principles of Economic Science. They are derived from the axiom of the division of labour which informs us that individuals and countries should produce or grow what they can best produce or grow, exchanging their surpluses freely for other things they need which others can produce better. This maxim appeals to our common sense. Every sane Englishman knows that it is better to buy oranges and bananas abroad than to grow them in hot-houses.

'In a country with free markets it is possible to buy in the cheapest market and sell in the dearest. Such a country is the natural home of invention and enterprise. A manufacturer must be competent in order to be successful. In a country whose manufacturers are protected against home competition, and where the State subsidises or otherwise assists trusts and combinations, incompetence flourishes and producers learn to depend on the assistance of the State instead of upon their own exertions. If there is a Parliament, they corrupt members in the lobbies. If there is no Parliament, they buy favours from the heads of the State Departments. . . .

'. . . Under a bureaucracy everything stagnates. In peacetime, when it begins to establish monopolies, a protective tariff has to be raised higher and higher to protect the State industries from foreign competition and the consumer (that is to say, everybody) has to put up with worse and worse quality or higher and higher prices.'

The National League for Freedom

Following is part of a letter published in *The Times* on 16 April, 1943:

'Complete control of men and women by the State has made Nazism the greatest evil the world has known. A version of that evil is rearing its head here under different names—"economic planning," "direction," "control," "bureaucracy," and the rest. The National League for Freedom has been formed to prevent the continuance of this after the war. It will protect the interests of manufacturers, farmers, traders, small-holders, small shopkeepers, housewives, and others of individual responsibility and initiative against the growing threat of unnecessary official control.'

A PRACTICAL TARGET

So far I have tried to set out as fairly and objectively as possible the problem to be solved and some of the alternative solutions. With these in mind, the reader may find it easier to form his own opinion. The witnesses have been called and a lot of conflicting evidence has been given. It remains for the jury of public opinion to decide its verdict and to record it at the next General Election which, as Mr. Churchill said in his broadcast, will determine what Government has the heavy task of planning for post-war Britain.

In the final pages I shall outline a practical target.

First let us go back to where we started, in order to emphasize once more how much is at stake. Our own welfare and happiness, and that of our families and children, is deeply involved. The rate at which world resources are developed, and world living-standards raised, may hang to a large extent on our decisions here in Britain.

Secondly, we should distinguish between ideal solutions and those which are practical politics. In framing a post-war target, we will be making three assumptions: that we win the war; that no revolutionary group seizes power; that parliamentary institutions continue as at present.

Given these assumptions, it seems unlikely that either total State Ownership or total Self-government for Industry will be 'practical politics'. More likely is the mixture of private and

public enterprise which, as we have seen, is already advocated by political leaders. I do not suggest that this will be the final solution; it certainly seems the most likely immediate solution. The proportion of public to private enterprise therefore becomes all-important.

Whether or not we get Mr. Churchill's Four-Year-Plan, post-war organization is bound to be experimental. None of its arrangements will be final. The extension of public enterprise, and of public control over private enterprise, can be tested by trial and error. Here is a possible framework for such an experiment, under three heads: the Government end; the status of industries; and the part of the people as workers and consumers.

i. The Government End

We have at the present a Minister of Production. He suffers from overlapping of functions with other Ministries. His powers will need to be extended, his functions more clearly defined. He will be ultimately responsible for seeing that industry is productive. He should have the power to remove directors of companies, if their production is inadequate, replacing them by his own nominees. Similar powers have been used by Sir Stafford Cripps, Minister of Aircraft Production, where the urgent national need for more aircraft appeared to him to justify it.

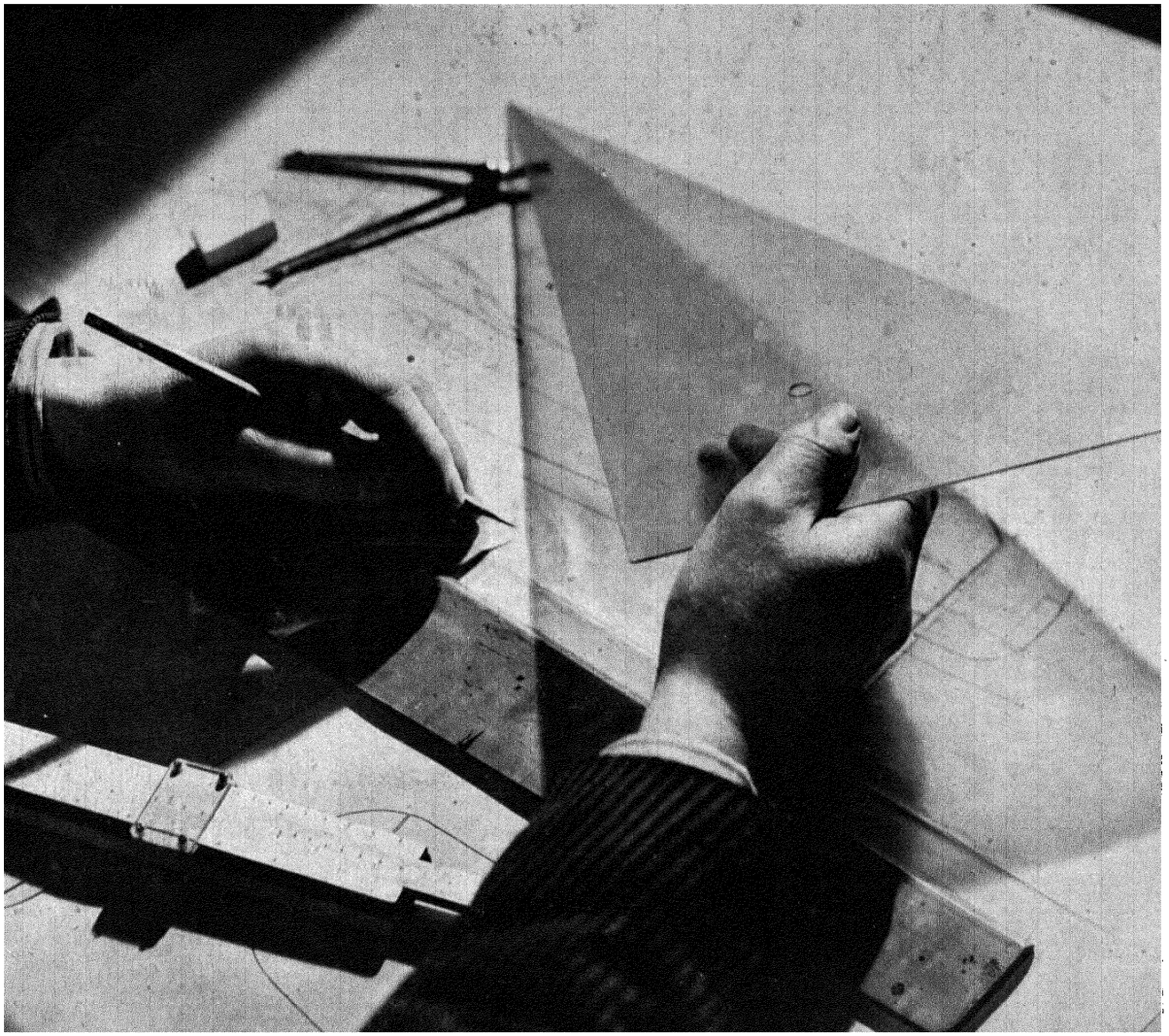
He should also prepare, with the help of his department, plans for whole sectors of industry, where private enterprise fails in its productive functions. These plans, e.g. for conversion into public utilities of existing concerns, or for investment by the State in new enterprises, would of course be laid before Parliament.

The Minister's staff should consist of two distinct sections. First, an executive section, largely drawn from men with experience and training inside industry in its productive rather than its financial aspect. A condition for serving in this executive section should be the surrender of all vested interests in industry. At the same time, the salaries paid to these Industrial Officers should be high enough and elastic enough to ensure getting men of the highest ability.

Second, there should be a Research and Advisory section, to survey industrial problems and draft plans for their solution. Some of the members of this section should also sit on a central Research and Advisory Council for national planning in all its aspects. The personnel of this second section should not be permanent civil servants: they should be outstanding people from the ranks of management, from the professions, from the trade unions and from the universities. Service in the section would be whole-time while it lasted, but its members would go back to their old positions at the end of a period. Use should also be made of independent research work in the universities and elsewhere, for which adequate grants should be ensured.

ii. The Status of Industries

Industry, under this plan, is to enter an experimental phase. Government machinery sketched in the last four paragraphs is meant to ensure that experiments are made, that watch is kept, that lessons are learnt and the necessary changes made. At the same time, in this phase all the types of industrial organization which now operate should be given a fair chance to prove their worth. Free enterprise should have the chance to prove that it can stay free. Public enterprise should have the chance to prove that it can stay enterprising. Monopolies or near-monopolies or well-organized Trade Associations should have the chance of proving that, given certain safeguards, they are capable of operating in the public interest and that the advantages of large-scale organization can be made to outweigh the disadvantages of imperfect competition. The proof of all their puddings will be in the eating. If they fail to produce the right sort of pudding and enough of it, then and only then the Government machinery must intervene. Intervention must be based on a thorough sifting of evidence by the Research and Advisory section of the Ministry of Production. When the Government intervenes, it must intervene decisively. The whole nation must be made aware that something is being done. While they are successful, industries shall govern themselves, free from the minor interferences of officials. When they fail in their function, the Minister of Production must not hesitate to govern for them.



At the very outset, the status of some industries will probably call for immediate revision, following inquiry. There will be a strong case for unifying the utilities of transport and power in Public Corporations like the London Passenger Transport Board and the Central Electricity Board.

In the basic industries of coal, and iron and steel, the Government should be prepared to take over certain sections of each industry, and to keep particular watch over the efficiency of the rest, without nationalizing either industry as a whole. Thus, for example, some of the mines would be nationalized, some would be kept as at present, with others in an intermediate position. There would be three types of concern in these industries:

(*a*) State-owned and State-managed;
(*b*) privately owned, with some of the directors appointed by the State;
(*c*) privately owned and privately managed.

All three types of concern should be subject to safeguards for joint consultation with labour on labour issues, and their books and records should be open for inspection by the Research and Advisory section of the Ministry of Production. The latter should review the relative efficiency of the three methods, and make their findings public.

Except in emergency, the Ministry of Production should leave the status of an industrial concern unchanged for the duration of each Four-Year-Plan. At the end of the four years, the status of each concern should be reviewed.

Our great engineering industry has borne a heavy strain in war production and in some cases it has been necessary to take over concerns which were not working efficiently. The experiments thus begun should be continued and extended wherever it proves necessary, though, over a wide range, private enterprise may be encouraged to show its mettle.

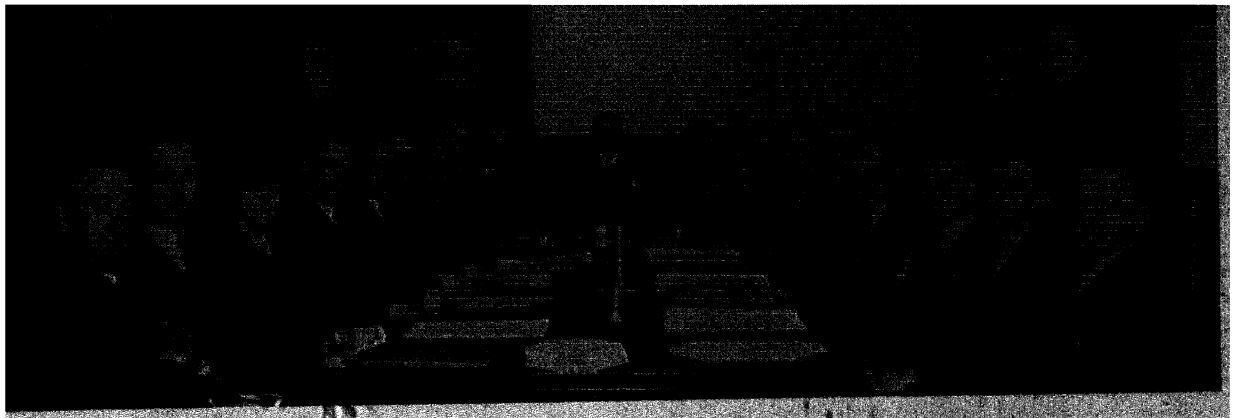
During the first few years after the war, there will probably be much work for the textile mills of Lancashire and the West Riding and for the shipyards of the Clyde and Tyne. The period of full employment in these industries should give time to plan for the falling off of demand for their products which history leads us to expect. The formerly 'Depressed Areas' must not be allowed to become depressed again. It may be necessary to remodel the existing industries so as to make them more efficient, and also to start alternative industries to absorb the surplus labour force in the areas. This will mean full use by the Government of its powers of investment and its power to decide where new industries should be set up.

A large-scale building programme is already laid down as part of post-war reconstruction. Not only the building contractors are involved, but the manufacturers of bricks, cement, concrete, pre-fabricated windows and doors and other building materials. This whole complex of industries will need over-all guidance and control by Government as to where it is to build, what it is to build, what materials it is to use and what standards it is to observe. Apart from these safeguards and to ensure their effectiveness, the Government should itself take over certain sections of the building materials industries, and it should constitute itself the most important client, in concert with Local Authorities, for the new construction. In many cases this Government work would be done by private contractors, in others by direct labour.

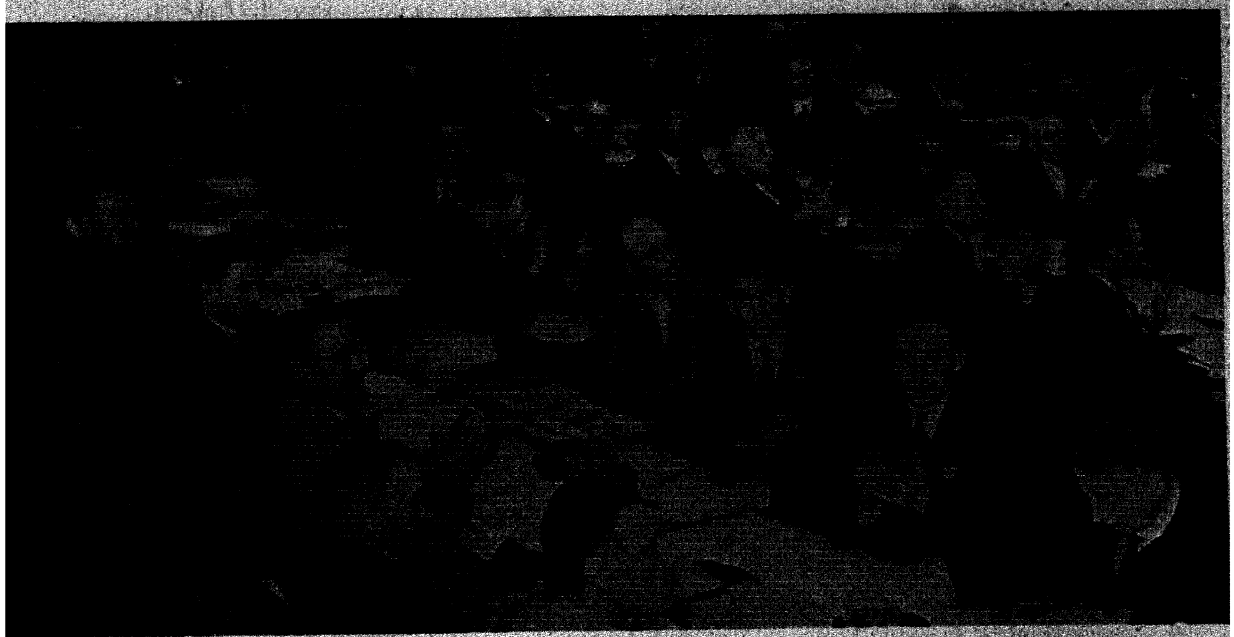
There remain a great variety of manufactures which cater for the mass of consumers, providing them with clothes, shoes, foodstuffs, soap, furniture, wireless sets and so on. Also a great variety of services, including shops, pubs, restaurants, holiday camps. The job of the Research and Advisory section of the Ministry of Production will be to ensure that a wide range of these goods and services are available to the public at prices which involve no element of exploitation. If any concern is found to be exploiting the public, the Government must be ready to replace the directors by its own nominees, and if this fails, to take over the concern for a period.

What should be the test of success for any given firm or industry? This is a matter for experts to decide, but in general terms it will work as follows. The framers of the central plan will estimate a production-target for each industry and each important industrial unit. They may decide, for example, that less cheap cotton goods for export should be produced, and that more plastics or electric apparatus should be produced. It will be a scheme of priorities rather than a rigidly binding production schedule. But if any industry, or any concern, falls demonstrably short of what is required, then further inquiry will be made to show whether or not this is due to faulty methods of control, in which case the control will need to be altered.

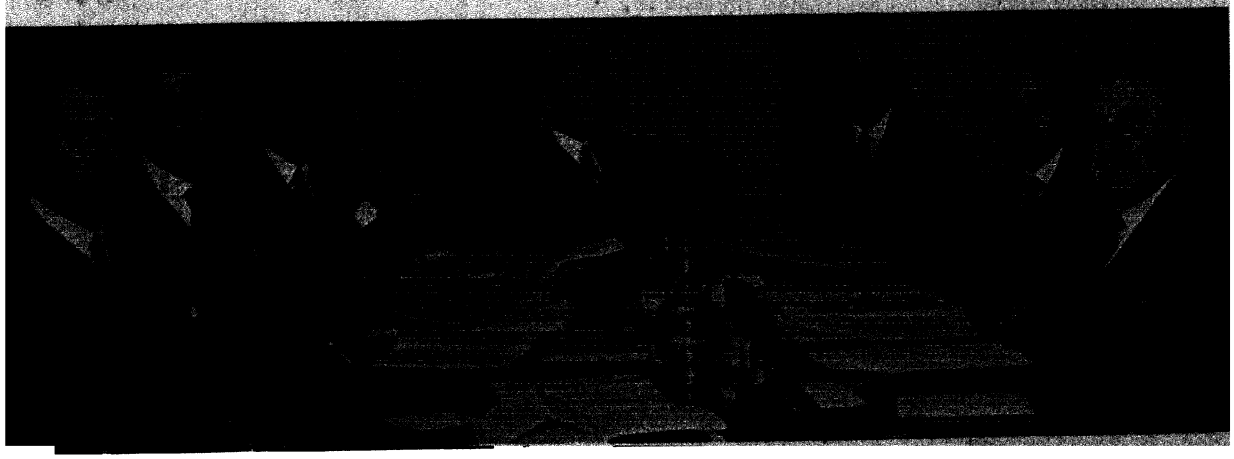
What should be the aim of the central planners for the economy as a whole? The simplest and most obvious answer would be: to increase the national income or volume of production, or to raise the general standard of living. But such a formula needs to be qualified. If, after the war, this country attempts to raise its standard of life in the short term regardless of its own needs for capital investment and also of the need for developing world resources and backward countries, the prosperity it will create for itself will be short-lived and illusory. Plans must be on a world scale in space and on a time-scale that takes in the coming generation as well as our own. More difficult to state is the other fundamental qualification to a crude policy of 'increased production'. We cannot measure national happiness and welfare solely in terms of volume of production. We must begin the more serious and untried task of allotting our energies, our time and skill so that every person should have a fuller, happier and healthier life.



COMMITTEE



CONFERENCE



BOARD MEETING

People sitting round tables and talking. What a lot of that there is nowadays! In the future there will probably be more. This is the human machinery of a planned industrial society.

The foregoing paragraphs deal only with the question of control of industry. We already accept the position under which the Government has the last word on exports and imports, and on taxation. Our target is that the Government should also have the last word on the question of control. The status of industries should be treated experimentally, but there must be purpose behind the experimenting.

iii. The Part of the People, Workers and Consumers

The experimental way of working out a better organization for industry is well suited to British talents and traditions. For the experiment to be carried through successfully, the co-operation of the whole British people is essential. Without the spur of public interest, control will become bureaucratic and mechanical.

The war has shown that it is possible to get just that spirit of enterprise and inventiveness that is so badly needed, once there is confidence in the aim to be achieved and in the willingness of all concerned to play fair in the common effort to achieve it. To build up and maintain this confidence is just as important as the reorganization of the controls. Our problem, as Sir William Beveridge points out, is technical; but to solve it we must call in social technique as well as economic.

The social technique of this country is centred around Parliament. An active and well-informed Parliament must be the pivot of any post-war plan. But the relation of Parliament and people needs to be strengthened. A few hundred M.P.s represent many millions of electors.

CONSUMERS. *That is what we all are, in economists' language*

Each M.P. represents tens of thousands of electors. Since every grown-up person got the vote, the sheer number of voters has tended to make Parliament into a distant body, working at several removes from ordinary life. Many citizens do not vote and do not know who represents them in Parliament.

But democracy expresses itself also at levels closer to the daily lives of the people. This is the value of our institutions of Local Government, our Trade Unions and Co-operatives. In making the post-war-Plan mean something to every citizen, these institutions should play a special part. The Trade Unions and Co-operatives are all the more important because they have grown up from beneath and have evolved into great national structures, responsible and indispensable. Both exist to protect the ordinary citizen and his standards of life as worker and consumer. In the experimental post-war period they will have a special responsibility, both of helping in the common-work and of keeping watch that it is carried on in the common interest.

Joint Production Committees have been set up in war time, on which workers and management sit together and discuss how production can be increased and improved. While these committees function at the job level, the Trade Unions are also represented on committees at the very highest level of the direction of affairs, in all the Ministries where labour questions are involved. What has been found necessary and practical under war conditions will be necessary and practicable under the post-war-Plan.

The status of the Trade Unions should be more definitely recognized than at present, if they are to team up with the rest of the system of democratic controls. In return for this status, they should be asked to co-operate fully in the post-war plan. Their original functions were to defend the workers' wages, to improve their conditions of work and to provide insurance against sickness and other emergencies. The Trade Union leadership now sees a possible broader function: that of raising the standard of living by increasing and improving production.

From an economic angle, it is most desirable that the Trade Unions should take this broader view. From a social angle, they can only gain new vigour from it, if they help to organize the community not only as workers but as consumers. Here their functions link up with those of the Co-operatives, for whom also perhaps some change of status is required.

I do not propose to lay down to these great independent bodies—the Unions and the Co-ops—what steps they should take to enlarge their scope and status. That is up to them. What is vital is that they should state their policy clearly and soon, so as to reach the ordinary unpolitical citizen.

Such citizens form such a great part of the population that something more than Parliament, Trade Unions and the rest is needed to bring them into national participation in the post-war plan. Everyone knows 'there 's a war on' and behaves accordingly. They understand the plain language of emergency. To put across the same message in peace time, without conscription and bombs to underline it, a great planned campaign of education should go along with the drafting and passing of Acts of Parliament and appointment of Ministries and departments and committees. These things are far away from the ordinary man and woman. Their place in the plan has got to be brought right home to them.

The best way to bring it home to them will be to show them visibly in their working lives that they are no longer working merely for the private profit of their employers. They must be made to see and believe that the factories, mines, railways and so on are *theirs* in a social sense. The people in control of the factory, the private director or State-appointed manager, must be shown to them as their trustees. They must be assured that whoever fails in the trust will be removed without undue delay. The language of action will be far more effective here than any number of posters and broadcasts.

SIX POINTS FOR THE TARGET

1. There will be three types of industrial concern:

   (*a*) State-owned and State-managed;

   (*b*) privately owned, with some or all of the directors appointed by the State;

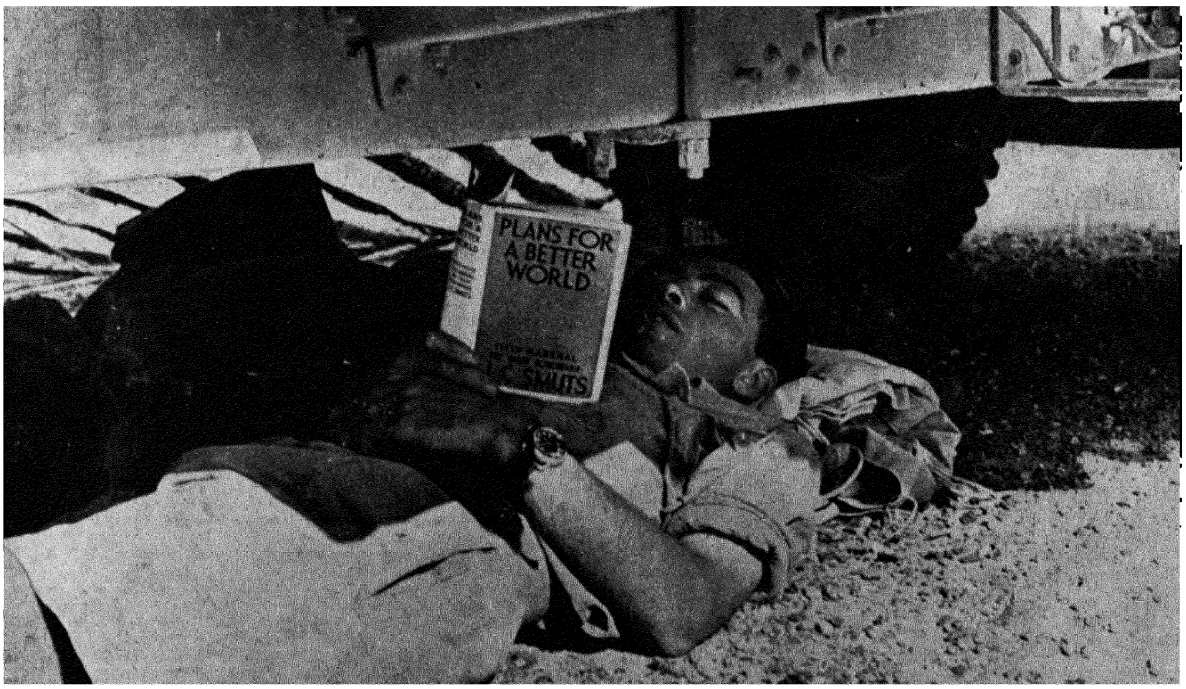
   (*c*) privately owned and privately managed.

In some cases a whole sector of industry will be State-owned or privately-owned. In other industries, all three methods of control will be used experimentally in different concerns.

2. The final responsibility for deciding who owns and controls any concern will rest with the Government.

3. All the types of industrial organization which now operate will be given a fair chance to prove their worth. The Government will only intervene if the existing organization fails in its productive function. Some changes in status of industries will be made at the outset of the planning period, following on due inquiry.

4. Government intervention will follow a sifting of evidence by an advisory body of independent experts drawn from management, the professions, the trade unions and the universities.

5. Labour interests will be safeguarded in all concerns, whatever their type of control, by joint consultation between managements and trade unions, both at the works level and nationally.

6. The whole plan will be brought home to the British people as a great experiment which will combine democracy with industrial efficiency.