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W. Eccles

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This is the statement to which Sir William Beveridge referred.

NOTE: A series of popular pamphlets on postwar problems under the title "Target for Tomorrow" is being issued in Britain under the supervision of an editorial board consisting of Sir William Beveridge, Dr. Julian Huxley and Sir John Orr.

The first of these pamphlets deals with the method of organizing industry with a view to maintaining productive employment and raising standards of living, and has prefixed to it a foreword by Sir William Beveridge raising for discussion the principal questions to be asked in regard to the different methods for organizing industry that may be proposed.

5/17/43

C O N T R O L O F I N D U S T R Y

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 specialisation 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 bulls-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.